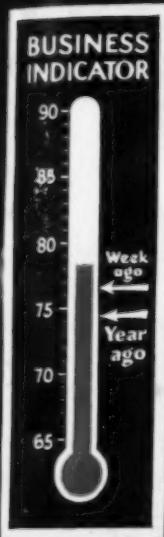


JULY 3
1937

BUSINESS WEEK



JUL 6 1937



INDUSTRIAL FIREWORKS — The welders put on a Fourth of July show in New York's new Lincoln Tunnel under the Hudson.

MCGRAW-HILL
PUBLISHING
COMPANY, INC.

20 CENTS

AN ARBOR MICH
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UNIVERSITY OF MICHIGAN
MIC

The Machine that Fits Current Philosophy

• Labor wants shorter hours yet equal or larger weekly wages. Stockholders want dividends. Suppliers want higher prices for materials.

There is a way to satisfy everyone. Cut costs. Easily said, you answer, but how do it? Hundreds are doing it by cutting cost per piece as much as 50% with the new, faster Warner & Swasey Turret Lathes. Look at these typical cases:

William Powell Co., Cincinnati: Cut turning cost 50% when a new Warner & Swasey turned out 55 bronze valves an hour in place of 25 an hour on an old machine.

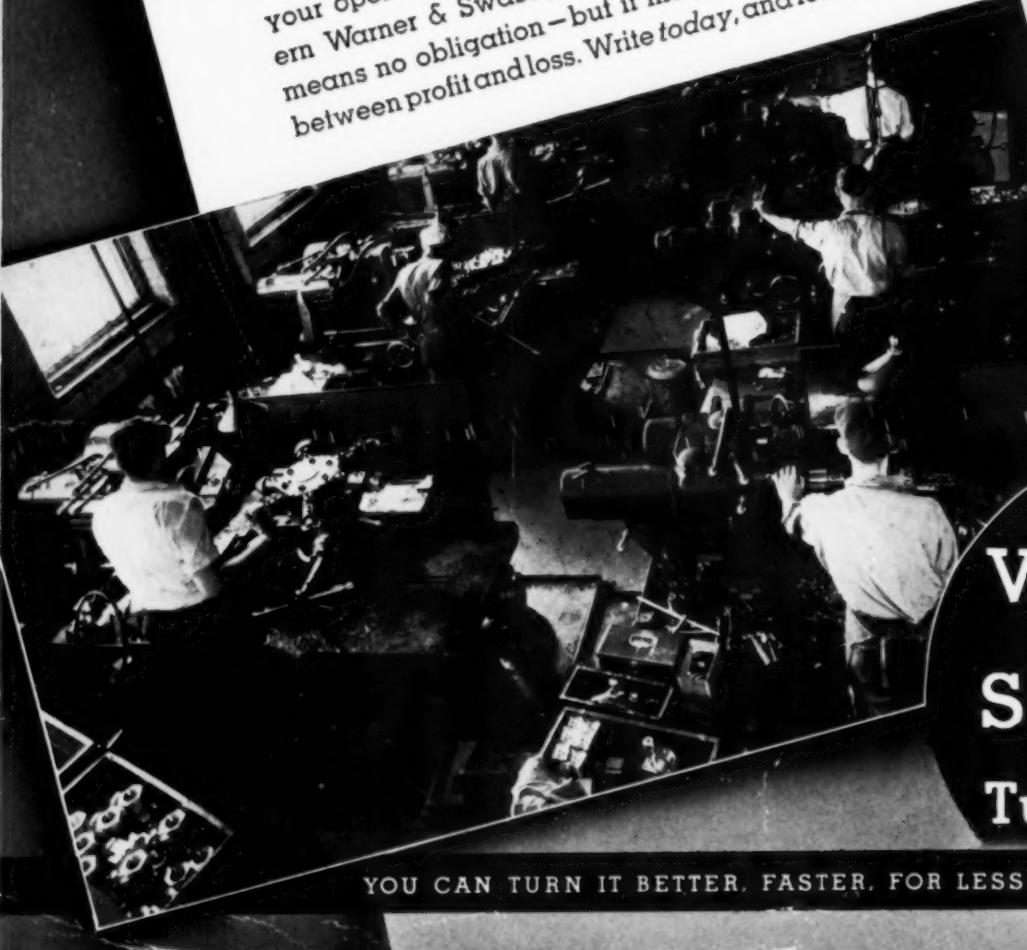
Nathan Mfg. Co., New York: Locomotive appliances, made on new Warner & Swasey Turret Lathes, are more accurate than ever before, and are made in 25% to 35% less time.

Coe Manufacturing Co., Painesville, Ohio: A new Warner &

Swasey Turret Lathe stepped up one important production job from 3 pieces to 20 pieces per hour.

Scintilla Magneto Co., Sidney: A new Warner & Swasey, in the plant of this maker of aircraft engine parts, doubled the hourly production of one part, and is producing another engine part with inside diameter tolerance of .0007 with only 1% scrap loss.

We have men qualified to come into your shop, survey your operations, and prove to you exactly what modern Warner & Swaseys could save you. This survey means no obligation—but it may mean the difference between profit and loss. Write today, and tell us to come.



**WARNER
&
SWASEY**

Turret Lathes

YOU CAN TURN IT BETTER, FASTER, FOR LESS—WITH A WARNER & SWASEY

New Business

VISITORS to, and just plain residents of, New York City may be glad to know that at least five of its hotels keep their clocks three minutes fast in order to protect guests who linger too long at train time. According to a bit of fundamental research reported in *New Yorker* and since confirmed, the lobby clocks in the Governor Clinton, the Murray Hill, the New Yorker, the Pennsylvania, and the Roosevelt, all provide this temporal margin. "The Commodore has fast time in the bar only (to allow for a quick one), the Biltmore and the Waldorf keep their clocks on correct time."

As befits the life purpose of its steely sponsor, *US Steel News* of U. S. Steel Corp. brings out its first bound volume in clothboard cover with title etched and enamelled in a 4½ x 6-in. steel insert. As befits a report on "Syan Blue B" pigment (which is the first new blue to be developed since ultramarine was discovered back in 1826), the covers of the formal laboratory report being issued by International Printing Ink Corp., New York, are printed in Syan Blue B pigmented ink. Tests indicate the brilliant blue to be exceptionally fast to light, heat, acids, alkalies.

FUTURE correspondence relating to the Census of Business or any other census matters should be addressed to Bureau of the Census, Washington, and not to Philadelphia. The Philadelphia branch, established for the express purpose of collecting and tabulating all the voluminous data appertaining to the 1935 business census, is moving its overstuffed files to the Commerce Building in Washington.

ALTHOUGH Los Angeles weather is not extremely cold, according to *Factory*, Douglas Aircraft Co. solves an intricate heating problem at its Santa Monica plant with an electric heating system built integrally with the 300 x 300-ft. concrete floor in one of its hangars. Laid out by Douglas engineers, 53,000 ft. of resistance wire in 300-ft. loops, spaced about two ft. apart, maintain a thermostatically controlled floor temperature of 80 deg. F. with no intrusion whatever on plant working space.

BUSINESS WEEK (with which is combined The Magazine of Business) July 3, 1937, No. 409. Published weekly by McGraw-Hill Publishing Company, Inc. Publication office, 99-129 North Broadway, Albany, N. Y. Editorial and executive offices, 330 W. 42nd St., New York, N. Y. James H. McGraw, Jr., President; Howard Smith, Executive Vice-President; James H. McGraw, Honorary Chairman; Glenn Griswold, Vice-President and Editor; B. C. Putnam, Treasurer; D. C. McGraw, Secretary. \$5.00 per year in U. S., possessions, and Canada; \$7.50 per year in all other foreign countries; 20¢ per copy. Entered as second-class matter December 4, 1936 at the post office at Albany, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1937 by McGraw-Hill Publishing Company, Inc.

New York's First Bank
Founded in
1784



New York Clearing House
Membership
No. 1

4 Out of 10 Showed Losses

Contrary to popular opinion a very large percentage of corporations lose money even in periods of great business activity.

In 1929, for instance, losses were suffered by four out of every 10 active corporations that filed income tax returns. While in that year 269,430 corporations showed a profit, 186,591 others suffered an aggregate loss of nearly 3 billion dollars.

This is not an unusual case. In each of the 10 years from 1925 through 1934, at least 39% of all active corporations failed to show a profit. In 5 of those 10 years more than half reported losses. In 1934, the last year for which figures are available, 69% suffered deficits.

This situation clearly illustrates the need for discrimination in the choice of investments even during periods of general prosperity. Prosperity is never uniform, nor all-inclusive.

Realizing that the administration of investments for trust funds and estates requires organized research, this Bank maintains an extensive Department for that purpose. This investment research organization is by no means infallible, but we believe that its continuous studies produce far better results in the long run than can be achieved by the average individual working single-handed.

This bank is now administering trust accounts whose makers or beneficiaries are located in 39 States and 14 foreign countries.

BANK OF NEW YORK & TRUST COMPANY

48 Wall Street • New York

UPTOWN OFFICE: MADISON AVENUE AT 63RD STREET

Copyright 1937—Bank of N. Y. & Trust Co.



Mary

Has TWO New Dresses

TWO dresses for less than her mother used to pay for *one*. Mary's new ready-made dresses, compared with those her mother bought 20 years ago, are in better style, have fast colors, and are chosen from a far wider range of exciting new fabrics.

Why can Mary have *two* new dresses today?

It is because of the amazing progress the textile industry has made in the last two decades. It is because research scientists and engineers have worked to improve processes and to give the public more for its money. More goods for more people—at less cost.

It is because General Electric engineers and research scientists have contributed to this progress. More than forty years ago, they initiated the first use of electricity in the textile industry. Today, every modern loom has its individual electric drive, and electric control which governs the quality of the unrolling yards of fine, sleek fabric. General Electric scientists have perfected instruments to test and match the colors, and to keep the weft straight and true.

Electric equipment—much of it especially designed by G-E engineers for textile applications—increases production, protects expensive machines, prevents delay and spoilage, lowers costs. In short, General Electric engineers are in the "efficiency business," and the economies they help to effect enable millions of American Marys and Helens and Ruths to buy *two* new dresses where otherwise they could buy only one.

G-E research has saved the public from ten to one hundred dollars for every dollar it has earned for General Electric

GENERAL ELECTRIC

SILICOSIS continues to rear its unlovely head, but news from three centers seems to foreshadow its imminent control and eventual demise. Dust Control Equipment Association, meeting in Cleveland, endorsed the work of its engineering committee which is charged with the job of establishing standards of dust control practice. In Madison, geologists of University of Wisconsin seem to believe that when "protector dust" is mixed with silica dust it counteracts the injurious effects of the latter. Particles of protector dust like carbon black, dolomite, and hematite attract dusts like quartz, asbestos, and talc, holding them by their opposite electric charges and facilitating their removal from human lungs. From Pittsburgh, Air Hygiene Foundation of America, Inc., reports active progress on its noncommercial research program, which is "designed to combat industrial diseases caused by the inhalation of various dangerous dusts, toxic fumes, gases, and other forms of air pollution arising from industrial processes."

ARC-WELDING, under the "free flow" system, was used in building the tanker *Studerus*, which fact wouldn't be exciting, except that the tanker can now carry half again as great a load as it would have if riveting had been used. Reason is: about 20% weight saved in frames and stiffeners.

SMART attack on the design piracy problem appears in patent-applied-for "Theme Song" designs for cotton and rayon fabrics. Music Publishers Protective Association gives Byron G. Moon Co., exclusive rights to use their copyrighted songs in the creation of commercial designs. The Moon Co. does not sell designs; it licenses them to manufacturers and converters. First 15 designs have been prepared by Paul Von Eisenbarth; first converters are Arthur Beir & Co. and W. E. McKay & Co. Typical theme songs are: "Annie Laurie," "I'm Forever Blowing Bubbles," "Oh, Where Has My Little Dog Gone." Principals, who all maintain New York offices, intend to extend the patented theme song design idea.

In the light of news filtering through from Detroit, Sunday closing is not a problem exclusive to bars, theaters, dance halls, and other places of frolic and amusement. National Automobile Dealers Association has been doing some studying on the Sunday closing habits of automobile dealers and learns that those in 81 typical American cities observe the holy day, those in 75 are wide open, six close half a day. In 61 cities, closing is effected by dealer agreements; in eight by state law; in 14 by city ordinance; in four by union demands. Most dealers seem to favor Sunday closing.

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Washington Bulletin

WASHINGTON (Business Week Bureau)—C.I.O.'s triumphant run before the wind, with Roosevelt helping John L. Lewis clap on all canvas, has turned into a tacking operation. The goal remains unchanged, so don't be misled by the shift in the immediate course. The explanation of that was best supplied by Roosevelt in citing "a plague on both your houses" as typifying "majority public opinion." His refusal to say that he agreed with this opinion is significant. He still believes the end justifies the means in this case. So does Lewis. But neither is willing to buck too strong a sentiment on the part of the public—Roosevelt because he is a politician and intends either to take a third term for himself or dictate his successor. Lewis because he wants to do a lot more organizing.

Set on Making Harbor

Even while apparently bending before the elements, Roosevelt, a shrewd sailor, is slipping down his centerboard so that even the unfavorable wind will blow his ship closer to the ultimate goal—a closed shop country. He has the legalistic processes under the Wagner Labor Relations Act to fall back on. He agrees with Sen. Wagner that refusal in advance to sign a contract shows lack of good faith—perhaps conspiracy to obstruct collective bargaining. So Inland Steel, against which the Labor Board action pends, and all the other independents are threatened with another Administration move to help C.I.O.

The First Estate Speaks

Curiously enough religion enters the situation which has obliged Roosevelt and Lewis to tack into the gale. When it was a zephyr with only Speaker Garner and a handful of congressmen and editors protesting against the invasion of property rights incident to the sitdown strike, neither paid any attention. But when blood began to flow and when men wanting to work were beaten up or killed, the clergy began to take notice. Roosevelt has always tried to keep the preachers on his side.

New Deal and C.I.O. Listen

Lewis is just as eager a student of what the pastors are telling their flocks of a Sunday morning. Lieutenants say he has become positively jittery at the consensus of evangelical expression the last few weeks. What to do to turn the tide of public opinion back to the old-fashioned doctrine of helping the lowly and uplifting the down-trodden, back to the parable of the rich man and the eye of the needle, has become a

JUST A JEST?
Washington did not laugh about the President telling the reporter to put on a dunce cap—that chap who asked him if he would decline a nomination for a third term. The news men guffawed, but pupils always laugh when teacher jests. Politicians construed it as a positive avowal that Roosevelt will run for a third term. Moreover, the President was not annoyed, nor were his aides. They laughed heartily. Nor did the reporter have to stand in a corner as directed. The room happens to be oval.

major problem at the White House and C.I.O. headquarters. Roosevelt tried to help with blasts at the rich dodgers and economic yachtsmen, but that proved a dud. Ministers didn't get excited about that, much less the public.

Play for Farm Labor

Lewis also has a more practical scheme—but it may prove a boomerang. He wants to win support for his industrial drive by enlisting farm labor—lettuce growers in California, onion pickers in Ohio, sugar beet hands in Michigan and Colorado, garden truck workers in Jersey. Already a call has been issued for a meeting in Denver, July 9, of 100 locals of farm, cannery plant and packing house labor. This is not a C.I.O. meeting, ostensibly. In fact, the call mentions the question of affiliation as one of the subjects to be discussed. But Lewis has no doubt as to where they will line up.

Farm Hands Hold Trumps

Individualism on the part of the American farmer is the danger to Lewis' plan. There are too many "kulaks" in this country, not landed gentry nor gentlemen horticulturists but plain farmers who raise crops, worry about droughts and floods, and have to hire hands to get in the harvests. They have very positive views

about farm hands, and they know all about the lettuce strike in California. They know they are much more vulnerable to strikes than industrial employers. A two-weeks walkout, with or without picketing, means the loss of a whole year's work, a whole year's income. Even a few weeks' strike at the cannery factory might be just as bad. Fruits and vegetables ready for canning won't wait for Wagner Act negotiations.

Ear to the Ground

Embarrassed by the turn in the labor affairs, after having done nothing to disabuse public opinion that C.I.O.'s drive had White House backing, the President is now courting farm support. The American Farm Bureau's bill has been pulled out of the pigeon hole with an intimation that there is a sudden demand from the grass roots. But actually, it doesn't have better than an even chance of enactment. The Jones Farm Tenant Bill, however, has staged a revival that may well be successful.

PWA on Way Out

Ickes' PWA is definitely on the wane, despite the two-year extension granted in the relief bill and resumption of the 45% grant basis, abandoned when the President decided that heavy industry was benefiting more than the unemployed from this type of work relief. He still thinks so, and he is still anxious to economize where it won't hurt. There will be a flurry of announcements covering "moral obligation" projects—those on which cities have gone through bond elections or otherwise untangled legal red tape—and there will be a replacement program for hazardous school buildings, on which Congress has set its heart. After that, PWA will settle down to a long process of liquidation.

Widening Tax Base

The big vote for the La Follette amendment which would have reduced income tax exemptions and thus imposed this levy on millions of low-income families points straight to the future course of taxation. Eventually, the government will be forced to this expedient for the simple reason that it is the only way to get the money—political conversations about plugging loopholes and taxing according to ability to pay notwithstanding.

No Out on Court Issue

Discussion of constitutional amendments proposed as substitutes for the Supreme Court enlargement bill will be held by the Senate Judiciary Committee on July 12. Actually this will serve chiefly to supply ammunition for

DIESEL NEWS

A monthly column devoted to results obtained with "Caterpillar" Diesel Engines on various power jobs.

"Kitchen Mechanic."

A vegetable-cleaning and cold-storage plant in Chicago uses a "Caterpillar" Diesel Engine on practically continuous service, holding 100,000 cu. ft. of storage-space at 32° F. Total operating cost, including maintenance, only 17c an hour!

Heavy-duty Mine Service.

A California mine has gone completely "Caterpillar." Two 60-kw. Diesel-electric generator sets furnish current for lights and 24 motors operating mine and mill equipment. An 80-kw. set has just been installed to increase mine-capacity and another 80-kw. set is on its way. Diesel fuel cost for generating current, 0.6c per kwh. Also, an 80-hp. engine pumps and boosts water on a 3½-mile line.

New Profits in Oil.

A well-drilling rig at Susank (Kansas) is driven by a 125-hp. Diesel. At 16c an hour for fuel and lubrication, the "Caterpillar" engine saves its owner \$7.50 a day over gasoline power formerly used.

A Roads Scholar.

The State of North Carolina uses a 125-hp. "Caterpillar" Diesel to run a rock-crusher, produce gravel for road-building and maintenance. Turns out 35 tons of gravel an hour at a fuel cost of 30c, gets roads built on time, saves the taxpayers' money.

Investigate the possibilities of these engines for your power needs. A dealer near you can furnish facts and figures.

CATERPILLAR TRACTOR CO.

REG. U.S. PAT. OFF.

PEORIA, ILLINOIS



WORLD'S LARGEST MANUFACTURER
OF DIESEL ENGINES, TRACK-TYPE
TRACTORS AND ROAD MACHINERY

the filibuster of the President's opponents. Unless the President capitulates on the court issue, which is not now expected, it would be almost unthinkable that a two-thirds majority of both houses of Congress could be mustered for any one of the proposed amendments. And it is far from certain that these majorities could be obtained even if the President put his full power behind the campaign.

Bank Reform Pressure Grows

Sen. Barkley's bill to increase the responsibility of banks as corporate trustees is arousing a demand in Congress that commercial banks be deprived altogether of trust powers. But no action will be taken on that demand this session, however. Interest is growing in banking legislation but there is no disposition to take up the problem piecemeal. Congress is beginning to recognize that a banking system cannot function properly as long as it is under 49 jurisdictions.

Heavy Railroad Pension Tax

The new railroad pension plan approved by President Roosevelt this week will reach its peak load in 1975 when actuarial figures indicate that all present employees who have not fully earned their pensions will have died. Differing from the Social Security Act, it is this feature of the law that largely accounts for the heavy tax starting at 2½% on both the railroads and their employees and climbing to 3½% by 1949. Exercise by Congress of its power to levy taxes, as provided in one act, and to appropriate moneys, as embodied separately in another, is expected to clear the constitutional hurdle which caused the downfall of the first railroad pension law in the remote contingency that the issue is raised again.

Better Hunting on Relief

Don't plan to finance your beans and bacon during the next depression by prospecting for gold. Harry Hopkins' research staff has looked into that and it reports that the earnings of some 28,000 free-lance miners who found metal in 1935 averaged only \$1.60 per day, 45 days per year, or an average annual income of \$72. WPA statisticians who gathered the figures did far better than that.

Ditching Chain Tax

The District of Columbia chain store tax bill, providing in the approved Louisiana style for a \$550-per-store levy on chains operating more than 500 units any place in the country, was ditched in the Senate committee, as *Business Week* predicted, after having been jockeyed through the House. The bill's pro-

vision for an additional tax of 3 ½% of gross receipts is still making trouble, however, as the committee debates whether to enact this type of a business privilege tax or a straight 2% sales levy. Probably one proposal will be used to knock down the other with the eventual elimination of both. But dire need of revenue in the District may result in some ill-considered levies that will set a bad example to the states.

Foreign Competition

On Mar. 30 American concerns put in bids for 28 obsolete wartime ships; foreign bids were ineligible but one came in and the Maritime Commission found it so high that it threw out the American bids and called a new deal for July 8 with the foreigners (who pay no income taxes and hire no American labor) declared in. The MC defends its action by contending that the American bids were out of line with the high scrap market, says it is actuated by the best interests of the merchant marine. Its obvious purpose is to jack up the domestic entries. Incidentally, one reason for low bids last March was the threatened embargo on scrap export and consequent fear that scrapping these ships would glut the American market. It's a different story now.

Hard on Our Bottoms

New maritime operating subsidy plan, inaugurated this week, will result in curtailing American flag services, at least until the new ship building program gets well underway. Several operators who have been given 6-month subsidy contracts will not be able to qualify for long-term contracts next year, and all long-term contracts will be limited to trade routes and lines regarded as essential to our foreign trade.

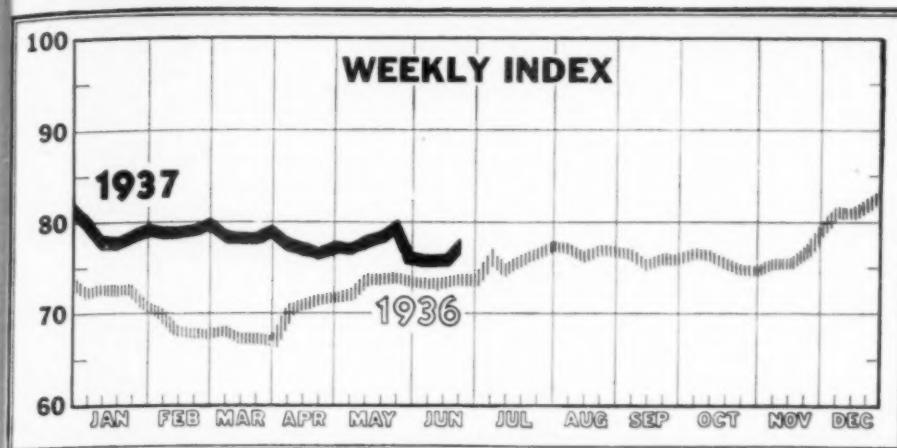
For Europe's Reassurance

The international conferences on economics and currencies, so much desired by Europe, will be held with the approval of the United States, if not on its invitation. That's what Premier Van Zeeland will tell the British and French statesmen who pinned so much hope on his visit to Washington. True, he made no impression with his plan for the U.S. Treasury to deposit gold certificates—or metal—in an international bank which could then loan to Europe and thus short-circuit the Hiram Johnson Act forbidding American loans to defaulting nations. But he probably didn't have much hope of success on that—certainly not until after the conference. However, it is twenty-to-one that the subject will be agitated again.

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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	* 78.3
Preceding Week	+ 76.4
Month Ago	80.2
Year Ago	74.3
Average 1932-36	65.0

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	75.0	75.9	77.4	74.0	43.1
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis).....	\$11,334	\$10,478	\$9,844	\$8,831	\$5,623
Engineering Construction Awards (<i>Engineering News-Record</i> , 4-wk. daily av.).....	\$12,794	\$11,930	\$8,799	\$7,420	\$5,008
*Bituminous Coal (daily average, 1,000 tons).....	1,185	1,166	1,223	1,121	907
*Electric Power (million kw.-hr.).....	2,238	2,214	2,207	2,030	1,703

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	126	126	130	115	100
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	80	80	83	75	68
*Check Payments (outside N. Y. City, millions).....	\$4,609	\$4,828	\$4,450	\$3,937	\$3,409
*Money in Circulation (Wednesday series, millions).....	\$6,394	\$6,415	\$6,399	\$6,173	\$5,596

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.20	\$1.24	\$1.30	\$1.02	\$.79
Cotton (middling, New York, lb.).....	12.67¢	12.55¢	13.26¢	12.40¢	10.44¢
Iron and Steel (Steel, composite, ton).....	\$39.78	\$39.80	\$39.89	\$32.79	\$31.23
Copper (electrolytic, Connecticut Valley basis, lb.).....	14,000¢	14,000¢	14,000¢	9,500¢	7,975¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	204.3	200.1	205.3	169.1	135.6

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	4.53%	4.45%	4.40%	4.37%	5.27%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.15%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	.75%	1.33%
Business Failures (Dun and Bradstreet, number).....	148	166	189	165	320

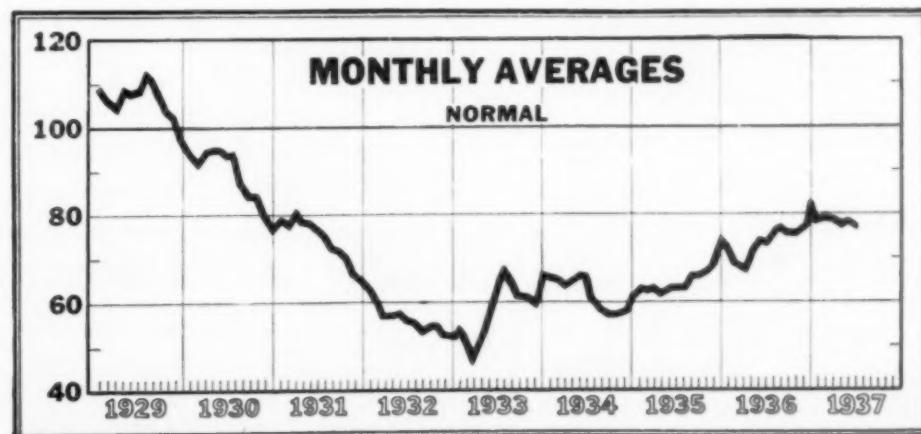
BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,562	2,583	2,557	2,472	2,385
Excess Reserves, all member banks (Wednesday series).....	810	750	940	2,438	1,443
Total Loans and Investments, reporting member banks.....	22,414	22,573	22,182	22,520	19,547
Commercial and Agricultural Loans, reporting member banks:.....	4,308	4,326	4,234	—	—
Security Loans, reporting member banks:.....	2,160	2,086	2,039	—	—
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	9,534	9,721	9,467	10,776	—
Other Securities Held, reporting member banks.....	3,114	3,111	3,186	3,348	—

*Factor in Business Week Index. * Preliminary, Week Ended June 26. † Revised. ‡ New Series. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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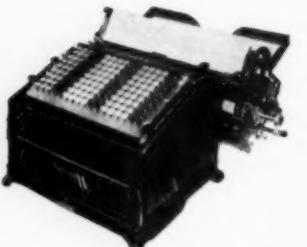
**NEW
LOW-COST
PAYROLL
MACHINE**

SAVES TIME AND MONEY
In compiling figures required by the
SOCIAL SECURITY ACT



**THERE ARE MANY
OTHER BURROUGHS
MACHINES FOR
PAYROLL ACCOUNTING**

There are many styles and models of Burroughs payroll machines. All write four payroll records in one operation; many compute as they post and accumulate totals. However large or small your payroll—whatever type of payroll accounting problem faces you—Burroughs can provide equipment to handle the work with exceptional speed, ease and economy.



**A typewriter that provides
4 PAYROLL RECORDS
in one writing**

- 1 THE PAYROLL**
- 2 EARNINGS RECORD**
- 3 EMPLOYEE'S STATEMENT**
- 4 PAY CHECK or pay envelope**

With fast electric carriage return, electric shift to capitals, and convenient tabulator control—this new Burroughs payroll typewriter writes four payroll records in a fraction of the time required by ordinary methods. It will pay you to see it, as well as other new Burroughs payroll machines from which to select the equipment best suited to your own individual requirements. Telephone the local Burroughs office or mail the coupon.

MAIL THIS COUPON FOR COMPLETE INFORMATION!

BURROUGHS ADDING MACHINE CO., 6037 SECOND BLVD., DETROIT, MICH.

- Send me complete information about the new Burroughs Payroll Typewriter that writes four records in one operation.
- I should like to receive your booklet showing various ways to handle payroll records on Burroughs Computing Payroll Machines and Burroughs Typewriter Accounting Machines.

Name _____ Address _____

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The Business Outlook

THIS week brought the long-expected French financial crisis to a head, temporarily unsettling European markets. But because of France's minor importance in the tripartite stabilization agreement, the repercussions are not expected to be great. This week also witnessed a further disintegration of the steel strike through a broadening of the back-to-work movement, and disbanding of the special steel mediation board, whose efforts to promote settlement of the dispute came to naught. Picketing, perhaps further isolated instances of violence, are likely to continue for a while, but mills are looking to stepping up operations a bit over the next few weeks. Meanwhile, Lewis is making preparations to transfer his attention to the maritime industry.

Wheat, Power, Textiles

Wheat markets have been boiling, because of news of spreading rust damage to the domestic crop and of drought damage to the Canadian crop. High temperatures over large areas of the Middle West stimulated increased use of electric power for irrigation and cooling purposes this week. These same high temperatures caused corn to jump and much of it is considerably farther along than the traditional "knee-high by the Fourth" stage. Textile markets continue quiet, with production due for a dip over the July 4 period as mills shut down for an extended holiday week-end. Some silk hosiery manufacturers ventured to boost prices cautiously this week. Overall manufacturers, who have enjoyed a rising business volume with the continued improvement in employment, also posted higher prices in their lines.

Men's Clothing Prices

Men's clothing this fall is expected to be 10%-15% higher. Meanwhile, the New York market was up in arms this week because one leading chain of men's clothing stores announced a summer clearance sale, reducing prices nearly 20%. Adoption of a ten-payment plan by another chain in the New York market, after successful tests in other large Eastern centers, caused a lesser stir. Several chains had previously adopted this method to stimulate sales as an offset to consumer resistance due to the higher prices announced last spring.

12% Auto Increase

Despite the interference of a severe strike early in the year, and some 200 stoppages since the strike was settled, General Motors succeeded in putting out its millionth car for 1937 on June

RENT BURDENS

Retailers who lease their premises report that rents absorbed 3.9 cents out of every dollar of sales in 1935 compared with 4.2 cents in 1929, according to the latest census returns. Seventeen kinds of business have a lower ratio than this, but 36 are as high or higher. Retailers in New York state pay the highest share of their sales for rents, or 5.46 cents per dollar of sales; those of Idaho pay least, or 2.37 cents.

24, only seven days behind a similar achievement in 1936. Last week, following settlement of the latest labor stoppage, General Motors stepped up output sharply, lifting the industry's total unexpectedly to 121,032. June output of about 500,000 brought the industry's six months' total to approximately 2,900,000. The first-quarter margin was 16%, but the drop to 9% in the second quarter narrowed the half year to 12%. The next three months' margin may be even less.

Machine Tool Prices Up

Some machine tool builders, whose production costs have crept up faster than selling prices, are posting price increases for new orders in some lines. The last price advances took effect in April, bringing in such an avalanche of orders that companies are several weeks behind in deliveries. Despite a falling off of orders in May, plants have been forced to increase their staffs to handle work on hand.

Farm Income and Purchases

Sharply reduced marketings of farm products and slightly lower prices brought farm income in May slightly below the April level; but the first five months, plus benefit payments, have yielded a cash income of \$3,201,000,000 to the country's farmers, a 21% improvement over the same period last year. With income over the next six months expected to range above that of last year, the agricultural areas continue to be a fertile market for farm-implement makers and mail-order houses. Sales of the latter have been

setting new records each month, and have shown substantially wider margins over last year than department or variety stores. Farm-implement makers continued to add to their staffs and pay-rolls in May, and they anticipate sales of more than half a billion dollars this year, equaling the 1929 high, and perhaps exceeding it.

More Private Building

Private construction contracts have surpassed public construction activity for five consecutive months. *Engineering News-Record* reports that construction for the first half of 1937 ran 15% ahead of the same months of 1936, with private building 124% ahead, public awards 23% behind. Last month recorded the widest gains over June, 1936, in these divisions: industrial building, 352%; commercial building, 87%; bridges 22%. Geographically, the Middle Atlantic states, with a gain of 129%, made the best showing compared with June, 1936, while there were some losses for New England and states west of the Mississippi.

Too Much Lumber

The fact that lumber production has been running ahead of shipments and incoming new orders over the last few weeks has caused a little concern. For the week ending June 19, shipments were down to 85% of output, new orders down to 72% of output. Compared with last year, new orders of identical mills were down 13% for the week ending June 19, indicative of a slowing up of buying activity, induced, no doubt, by the recent rapid rise of prices in the construction field.

Rail Labor and Traffic

Railroads found the non-operating division of their employees, numbering 800,000, threatening to strike to secure action on its request for a 20¢ an hour increase in wage rates. The roads are reported to have offered 4¢. Meanwhile the roads scanned the shippers' forecast of an 8% increase in freight traffic for 29 major commodities for the third quarter of 1937, compared with comparable weeks of 1936. Traffic for the first 25 weeks of 1937 ran 14% ahead of comparable weeks of 1936, suggesting that a narrowing of margins is to be expected in this field as in other lines during the coming months.

Jobs and Output Rise

Both employment and output in manufacturing industries maintained a high level during May, with employment and payrolls edging a trifle higher than in the preceding month. Despite strikes in part of the steel industry, the June record is expected to fall only slightly under the May rate.



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* * *

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BUSINESS WEEK

JULY 3, 1937

Steel Strike Teaches Lessons

C.I.O. suffers defeat by public opinion but will gain in added discipline. Wagner Act charge against Inland Steel may be fought to Supreme Court.

LABOR, management, government, and the average citizen, all deeply concerned in the rapid spread of unionization, got a chance to catch their breath and think things over this week. With wide resumption of steel production and negotiations for a truce that would help save face for John L. Lewis, another milestone was reached and these trends were definitely outlined:

1. That part of organized labor which is represented by the Committee for Industrial Organization had suffered a setback, not severe enough to kill it but sufficient to teach some valuable lessons to the rank and file. The new unionists had found that they couldn't demand the earth and get it, that violence was abhorrent to the general public, and that governments both local and national had to balance labor's "rights" against many other rights to find a proper policy.

2. Independent steel employers, tied up for a month by the strike and still harassed by sporadic outbursts of force, with pickets still around the gates, learned something of the strength of the labor movement, which called miners and

railroad men to the aid of steel workers, and which promised to continue its fight for written contracts. Employers also felt the public revulsion against violence and governmental insistence on the right of peaceful picketing.

Back to Legal Action

3. Government, still interested in the "status quo" while arbitration proceeds, reaffirmed its policy of pushing the Wagner Act forward. All eyes turned to Chicago, where the National Labor Relations Board began hearings on charges against Inland Steel, with a possibility that another test case might be brought up to the Supreme Court, this time to try for inclusion of the "written agreement" demand in collective bargaining definitions. Observers close to the scene expected assistant Secretary of Labor Edward F. McGrady to be called into the NLRB hearings, so that the Steel Mediation Board's findings might be made part of the record.

4. The public, generally, was glad that most of the men were back at work in the steel mills. It sensed a "victory,"

if perhaps only a temporary one, for the open shop. It felt that the troops, on the whole, had been wisely directed in the steel towns, and that government was still government.

All in all, every side to the controversy gained something. The state governments gained a measure of prestige in the minds of those who had felt that labor was "dictating" to them; the Administration gained, inasmuch as it was let out of a dangerous situation; the public gained confidence; independent steel employers won the first battle and went back to selling steel; labor gained a knowledge of the value of discipline.

From the standpoint of the top labor leaders, the curbing of hot-tempered and unthinking members of the rank and file is more good than bad. It gives the experienced leaders another talking point in their campaign to enforce discipline.

As noted several times in *Business Week*, the Committee for Industrial Organization has been rolling like a freight train on the down-grade, and John L. Lewis, with a possible curve in the track ahead, hasn't been able to run up and down the cars fast enough to apply the brakes. Now the train has hit at least enough of an up-grade to slow its speed, and the crew may be able to get it under good control. That is the test of their responsibility, by which they will be judged—and they know it.



"SIMPLY FLOODED WITH MEN"—So one official of Youngstown Sheet and Tube triumphantly described his plant, as workers in the Youngstown area streamed back to jobs under

the protection of the National Guard. C.I.O. leaders urged their followers to stand fast and put the number of returning workers considerably below company claims.

According to the most reasonable diagnosis of public sentiment, the working out of employee majorities and collective bargaining will go on, in the independent steel mills as well as in other industries. In the long run, the employees themselves may be expected to choose their representatives, to affirm that choice by plant election or through other certification. In the unsigned steel mills, the C.I.O. probably will come rapping at the door again, perhaps with an NLRB manifesto in hand. But for the moment, employee sentiment is confused and uncertain, and considerable time must elapse before the various interested parties can determine which side the workers are going to support.

Michigan Hits Unions

Main effect of new labor law is to restrict C.I.O. Manufacturers pleased with it.

DETROIT (Business Week Bureau)—In the hectic closing hours of the Michigan legislative session Gov. Frank Murphy managed to jam through an industrial relations bill which doesn't bear much resemblance to his original bill but which represents a compromise between a pro-labor House and a conservative Senate. A little Wagner Act, requested by the United Automobile Workers, was lost in the shuffle. Portions of the act passed are anathema to the Committee for Industrial Organization and already have brought wails of criticism from it.

Three Man Board

Like the Wagner Act, the law creates an industrial relations board of three members, appointed by the governor with the advice and consent of the senate. All members must have been residents of Michigan for five years and must be citizens. Though a union shall be vested with exclusive bargaining rights for all employees if it is selected by a majority of workers "in a unit appropriate for such purposes," the board has the authority to decide whether a craft or plant or some other yardstick shall be used as a "unit."

Mass picketing by flying squadrons of unionists, a technique peculiar to the Committee for Industrial Organization, is forbidden, as is mass picketing itself. The bill outlaws picketing by anyone except employees of a plant or union officers, and bars picketing which obstructs or interferes with the entrance to a plant or which "interferes with the free and unimpeded use of a public highway." The act also limits the use of court injunctions in labor disputes, specifically forbidding injunctions against "advertising, speaking, picketing, or any other method not involving fraud or violence, coercion, or intimid-



INDEPENDENT'S DAY—Tom Girdler, Republic Steel Chairman, spokesman in Cleveland, witness in Washington, headline figure on the independent steel front, gets a breathing spell.

tion." The board can proffer its services in case of a labor dispute and can create special mediation boards to act in specific cases. It shall hear and determine complaints and controversies arising from union agreements regarding pay rates, hours of work, and working conditions. It does not possess authority to compel parties to a dispute to arbitrate. Actually its only effective enforcement weapon is public opinion.

Omitted from the act, but in the original bill, was a provision empowering the governor to take over an industrial plant in case of a strike emergency. He is not given this right even in connection with public service companies.

The law defines the right of employees to bargain collectively, and gives the board the duty of supervising the selection of bargaining agencies.

Business Well Satisfied

Gov. Murphy gets out of the law an agency for mediation which will lift from his shoulders many of the details with which he has been burdened almost constantly since Jan. 1, but he has lost the extraordinary powers which he asked for (and now claims he didn't particularly want anyway). The United Automobile Workers refer to the law as an anti-labor bill, say it makes "the right to picket only a joke," and threaten to elect their own legislators to see that they get a square deal. Industry is keeping mum, but privately manufacturers are pretty well satisfied with what the legislature did.

Stop Auto Quickies

Lewis forces disciplinary action after G.M. refuses to discuss contract changes until violations stop.

DETROIT (Business Week Bureau)—The abrupt ending of quickie sitdowns in General Motors plants, after 240 strikes had occurred in 103 working days, appears to confirm the reports that the officers of the United Automobile Workers have been under fire from three directions.

John L. Lewis is said to have demanded that violations of the G.M. agreement cease immediately. His personal representative, John Brophy, has been in Flint conducting a quiz into causes of wildcat strikes. Then union locals in G.M. assembly plants protested against recent unauthorized strikes which cut off their supply of parts and threw employees out of work.

Most important of all, General Motors has notified the U.A.W. that it will not negotiate any changes in the present union agreement until it has "satisfactory assurances" from the union that it can live up to its contract.

The suddenness with which wildcat strikes have virtually ceased since Pres. Homer Martin of the U.A.W. turned the heat on the locals is ground for the belief that the strike epidemic could have been halted long ago if union officers had wanted it to.

When conferences finally start, Gen-

General Motors probably will seek guarantees from the U.A.W. that its members will not participate in slowdowns as well as in unauthorized sitdowns.

General Motors, too, is likely to demand that the union agree to the discharge of all employees responsible for or participating in strikes or slowdowns. On that point the union contends that it would undermine its own strength if it agreed; it probably will parry with

the suggestion that it will agree if G.M. will grant it a closed shop. Then if it gets hard-boiled in disciplining its members, it won't do any good for other members to threaten to quit the union.

Since, in view of the weakness of its position, U.A.W. has delayed specific requests, contract changes will not be made by Aug. 11 (60 days after revision date) as expected and as originally agreed when peace was made.

Can You Split Commissions?

On that question over which Biddle is battling before FTC, the answer is expected to be "No." Ward and Kraft-Phenix are apt to win.

ONE hit, no runs (yet), two errors. This is the way business thinks the Federal Trade Commission box score will read a fortnight or so hence as the Robinson-Patman law contest gets well along into the second inning.

The hit will be scored by issuance of an FTC order compelling the Biddle Purchasing Co. to cease and desist from accepting and diverting brokerage commissions. The errors will be chalked up when FTC reluctantly dismisses the complaints against the Kraft-Phenix Cheese Corp. and against Montgomery Ward and Bird & Son, manufacturers of floor coverings.

It's all conjecture, of course, but the trade bases its guess fundamentally on the fact that more than three months have intervened since the trial examiners in the Ward and Kraft cases filed their confidential reports, and the trial

attorneys have thus far neglected to file the briefs which would be a necessary prelude to final argument of either case before the full commission. From this, it is concluded that the commission is holding up dismissal until it finds opportunity to take some strong affirmative action in another case before dismissing these two complaints.

By reverse reasoning the trade figures that FTC sees in the Biddle case such an opportunity, for scarcely had the ink dried on the trial examiner's report before the commission attorneys filed their exceptions. Last week, attorneys for the respondents filed their answering brief, and the case is tentatively set for oral argument on July 8, though a postponement may be granted until the full commission can assemble to hear the pleadings.

That is how business generally has

the situation sized up, but there is a strong minority which contends that FTC will not dare issue a cease and desist order in the Biddle case, for at best the case affords the commission only shaky legal and political ground on which to stand. This group points out that even the commission attorneys admit that the Biddle Co. performs a service which enables its clients, chiefly small wholesalers, to compete on a more equitable basis with the big corporate chains, thus effectuating the very purposes for which the act was designed.

If the commission could first wind up its case against the Great Atlantic & Pacific Tea Co.—the chief offender for which the R-P axe was fashioned and the brokerage blade sharpened—the commission might more comfortably maintain that what was curtains for the goose was also curtains for little ganders like Biddle. But it may be months before testimony in the A&P. case is finished—the caravan of attorneys this week was moving back from the Coast through the Twin Cities—and since the commission can't wait that long to conclude some first definite action, it must plunge ahead on the Biddle case, embarrassments notwithstanding.

Has Unusual Setup

Organized as a buying agency for small jobbers in 1879, the Biddle Co. has added selling services for manufacturers and price reporting services for customers until today it operates more like a living board of trade than like any of the orthodox distribution agencies—notably brokers—which Mr.



International

RUNNING THE GAUNTLET FOR A JOB—This worker returning to Bethlehem Steel's Cambria plant at Johnstown, with strike sympathizers on his left, right, even in his rear,

was not merely on the spot—he had to walk through it, stubbornly facing angry harangues from pickets. Women have been playing an important part in the strike—for and against.

Patman sought to protect by insisting on a neat horizontal segregation of marketing functions in his famous act.

Basis of the Biddle business is the price reporting service which it renders chiefly on groceries, but also on iron and steel, hardware, drugs, lumber, stationery, general merchandise, and plumbing, automobile, electrical, and mill supplies. Bulletins are issued twice a week covering price conditions in the food field as determined in executing buying orders all over the country for 850 wholesalers (495 of which operate voluntary chains). These are supplemented with other periodic roundup reports and statistical information. All told, some 2,400 buyers in various fields subscribe to the Biddle services at specified charges ranging from \$25 to \$50. All are eligible to place orders for the purchase of their requirements of specified grade and at a specified price.

No Exclusive Contracts

Because half of Biddle's customers are located in towns of less than 100,000 and consequently could not be profitably sold by traveling salesmen—either those of a manufacturer or a regular broker, according to the company's contentions—and because Biddle keeps them regularly informed of the availability of various goods, all the 5,500 sellers whom Biddle represents pay the company brokerage commissions ranging from 1% to 5%. These, in turn, are paid over to the individual

buyers as a credit against charges for the regular price reporting service. Biddle has no exclusive contracts; both buyers and sellers deal directly as well as through other brokers. As a matter of fact, 86% of the buyers do not buy enough through Biddle to earn the commissions necessary to cover the cost of the marketing service.

Such was the setup as Biddle operated it until the time of the complaint last January. At that time the company discontinued payment of commissions, resuming them two months ago as "salary adjustments."

The Federal Trade Commission asserts that this setup does not square with Section 2 (c) of the R-P law, forbidding the payment of any commission, "except for services rendered in connection with the sale," to any buyer or agent who "is subject to the direct or indirect control of any party to such transaction other than the person by whom such compensation is so granted or paid."

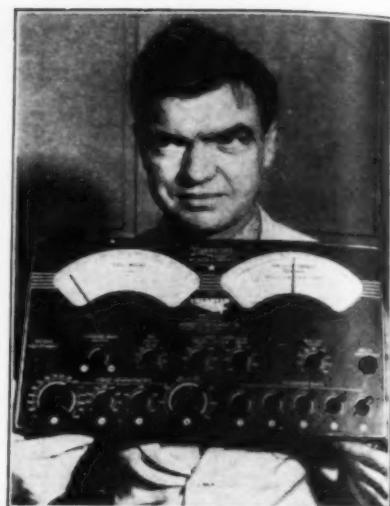
The Critical Point

The critical point around which the whole case revolves is that exception in favor of services rendered. Commission attorneys argue that since any intermediary can demonstrate with some show of justification that he is rendering a service to the seller, a literal construction of the clause would except buyers themselves and thus lead to the absurdity that in purchasing goods a buyer can render a service to the seller.

They argue that the exception was made simply "to guard against the possibility that the section might be construed as a restraint upon the so-called legitimate broker," who sometimes in negotiating a sale is forced to appear to act as the representative of the buyer. The essential "legitimacy" of such a broker, however, is evidenced by the fact that he retains the commission and does not split it with the buyer; hence, there can be no question of loyalty to his principal—a question "always present if he tries to act for both."

And the commission points out finally that "Congress did not set as a standard for the application of the act the actual presence of a breach of trust, but in effect said that because of the possibility and temptation for double dealing in situations where there was a dual representation, such exceptional cases would be subjected to the same general salutary rule."

The Biddle Co. disputes the evidences of legislative intent cited by the commission. Furthermore, it contends that at common law an intermediary is entitled to collect a commission from both buyer and seller (1) if that fact is known to both parties and (2) if, after entering the negotiation at the behest of the seller, the intermediary lacks



NOSE HEAVY, TAIL HEAVY—To find out which it is constitutes the job of this airplane device which cuts out a lot of figuring with pencil and paper. The indicator, held by a member of the U. S. Bureau of Air Commerce, shows the precise balance of load on any given plane.

discretion to fix the price. The exception made for services rendered is intended in Biddle's estimation to preserve this common law right, to which its own operations entitle it.

Biddle's strongest argument is the fact that none of the sellers which it represents (six were named with Biddle in the complaint and others testified) felt that the company wasn't entitled to the brokerage which they paid it. Impressive instances were cited of the sales aid rendered by Biddle.

Would Have Wide Effect

If the FTC should decide to punch a hit out of the Biddle action (only the Supreme Court can convert that into a run), there is going to be widespread consternation in some quarters of the food field—particularly among the voluntary chains, for two of the biggest national groups still operate their brokerage business pretty much on a pre-Robinson-Patman basis, and it is the life blood of their headquarters organization.

Other smaller voluntaries which depend on operations of brokerage houses like Biddle will also be in hot water, for jittery suppliers will be wanting to pull out of such setups without waiting for the vindication which the "cooperative" brokerage houses are sure the Supreme Court will ultimately afford the type of sales service they render. The corporate chains aren't so much worried, for generally they've deserted the brokerage game in favor of buying on a lower net price basis, even though that means they may have to take their chances with the broader section forbidding all price discriminations.



LIGHTER SHOVEL, EASIER GOING—The idea of using a lightweight, efficient aluminum coal shovel has been developed by a miner, Thomas Telford (above), working at the Allegheny Pittsburgh Coal Co. He's ordered six dozen from the Wood Shovel & Tool Co., plans to distribute them in western Pennsylvania.

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Charge Japs Raid Alaska Salmon

American \$40,000,000 industry angered at Nipponese fleet outside three-mile limit "to catch crabs." State Department is in a hole on this question.

THE Pacific Coast in general, its fish industry in particular, is raising hell Columbia over an alleged "invasion" by Japanese of salmon fishing grounds off Alaska. Washington has been bombarded with protests from the Alaska Fishermen's Union, the Association of Pacific Fisheries and others.

Washington Calls Tokyo

Washington got in touch with Tokyo and was answered by suave but unconvincing disclaimers. One of the loudest protesters, Sen. Schellenbach of Washington, was informed by the State Department that the Japanese government had solemnly denied issuing licenses for its nationals to fish for salmon off Alaska. There is a Japanese fleet there. Yes. But it is only netting crabs.

Such answers are said by American salmon interests to be another example of oriental guile and they get hotter than ever. The uproar doubled last week when American boats (representing a \$40,000,000 Alaskan industry) moved out into Bristol Bay to start the

season. Six thousand Yankee eyes gazed across the gray waters to verify the presence of the Japanese fleet. It is reported to consist of three or four mother ships of some 15,000 tons capacity which are floating canneryes. The estimated 2,500 Japanese aboard could gather in a powerful lob of crabs (or salmon).

There is no love for Japan on our West Coast. Three thousand indignant American fishers, seeing the object of their distaste provokingly engaged, might resort to violence and cause real trouble.

Not Too Clean Ourselves

No doubt they wonder why the State Department hasn't done something about it. Trouble is that the department is in something of a hole. The Japanese fleet is safely beyond the three-mile limit. American hands are slightly unclean in the matter of international fishing grounds.

Mexico has protested against Americans catching tuna beyond the three-



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FISH FURORE—Japan's masses live on fish and rice. Fish are important in exports. From her own exhausted waters Japan has sent her fishing ships in ever-widening searches. Circles mark Siberian areas where Japanese boats operate under sufferance, and Alaskan waters where they recently appeared. An official statement says the Japanese boats in Bristol Bay are after crabs. Angry Alaskans retort that they are raiding a carefully built-up supply of American salmon. Washington has been asked to force the ships out. Temporary permission for Japanese ships to fish in Siberian waters expires next Dec. 29. Final settlement of this question was disrupted by the German-Japanese agreement to combat the "communist menace" which was signed last November. The move into American waters may be an attempt to insure against losing treaty rights in Russian waters.

mile limit off her Pacific coasts. Complaints have been answered by the diplomatic equivalent to "Go to Hell."

Another thing: Get the Japanese mad and they might start raids on the halibut. Canada and the United States are applying effective conservation measures to this fish in accordance with a new treaty signed this year.

Two Proposals

While the temperature of Alaskan fishermen continues to rise, Washington considers two proposals: (1) To allow the Japanese to establish canneryes ashore in return for an agreement to catch no salmon; this would save the ships a home-and-back haul for crabs sold in the United States, and would allow a check on their catch. (2) To negotiate an American-Japanese salmon conservation treaty.

The Japanese have been notorious despoilers of their own and Siberian fishing grounds. This was one factor in the row with Russia over fishing rights off Sakhalin Island and Kamchatka (BW—Dec 19 '36, p 36). Depletion is also a factor in the present quarrel, since the Alaskan salmon industry is most jealous of its supplies.

Japs Don't Observe Rules

Tension is aggravated by restrictions on American boats which the Japanese naturally ignore. American boats can't go beyond the three-mile limit if they pack their catch in Alaska. It is charged that the Japanese have taken a strategic position just over the line but in the angle of the mainland and the long neck of the Alaska Peninsula which stretches toward the Aleutian Islands. It is alleged that here they could sweep the seas of the salmon heading back to the spawning grounds up-river from Bristol Bay.

Americans Restricted

American shore canneryes can't use power boats, must use gill nets (nets held upright by stakes which catch fish by the gills) with a mesh no smaller than $5\frac{1}{2}$ inches. It is charged that the Japanese are using purse seines with a mesh so fine that the smallest fish are held, and that the seines are towed with power boats. Americans can't fish on Sunday. The Japanese work seven days a week.

American allegations must be accepted with reservations since there is no effective check on the doings of the visiting fleet. When an American boat approaches the scene of Japanese operations, the small boats scuttle to the mother ships where cranes hastily lift them aboard. And the illustrious American snooper is not allowed to put his honorable foot aboard the unworthy vessels from Japan. What can't be seen can't be proved.

While maintaining that they are catch-



Newsphotos

SAWDUST TRAIL.—Colorado farmers are spreading poison in defense against invading grass hoppers. With bins empty and prices high, they've found they couldn't use wheat to mix with the poison. So they've turned to sawdust. The mechanical bait spreaders cover 30 to 40 acres a day. Boys of the Civilian Conservation Corps are lending a helping hand.

ing crabs only, the Japanese protest their rights to take salmon or any other fish outside the three-mile limit. They claim that no nation owns these waters and that fish taken there belongs to him who catches. The opposing view is that salmon spawned in American rivers and returning to American rivers belong to Americans. The State Department shows no enthusiasm for a showdown on this question.

Alaska cannot say it was not warned. On Feb. 23 little Mr. T. Takasaki, managing director of the Toyo Canning Industry Co., Osaka, informed a Seattle group of salmon packers (in the most courteous language possible) that Alaska's extraterritorial waters would be invaded. He explained that high-seas fishing was a necessity for the Japanese because of the jobs and food involved. His government was under terrific pressure and "in spite of businessmen and conservatives" he predicted permits for floating cannery operations in Bristol Bay.

Counter-Proposals

Little Mr. Takasaki then left his listeners stunned and gaping like one of their catch by the sweetly-put suggestion that Americans curtail their own fishing operations. Said he:

"We should forbid the river fishery first, the coastal fishery next, the open sea fishery last."

While Washington is trying to make up its mind, Pacific Coast unions are talking of action. The Alaska Fishermen's Union is involved, and related organizations (such as the sailors and longshoremen) might refuse to handle Japanese products in American ports. Meanwhile the bland sons of Nippon stick to their nets—and to the story that they are only catching crabs.

Co-ops Eye Big Store

Filene chain dickers for Garfinckel's, leading department store in Washington.

THE department store closest to the White House may be the first department store to go cooperative. Which is to say that Julius Garfinckel & Co. of Washington may become the first link in the chain of consumer cooperative department stores planned by Edward A. Filene, prominent Boston merchant, who established Consumer Distribution Corp. to finance the chain (*BW*—Jan 25 '36, p.10).

To date, no agreements of any kind have been initiated by C.D.C. and the executors of the Garfinckel estate, but there have been conversations between the two parties about such agreements. As far as that goes, of course, there have been conversations between the executors of the Garfinckel estate and other retailing interests—notably Saks-Fifth Avenue. But there are factors in the situation which suggest that the conversations with C.D.C. may have been more to the point.

Those conversations have been kept on a strictly you-and-me basis, because Garfinckel's doesn't want its customers or suppliers to get the erroneous idea that it is on the skids, and C.D.C. doesn't want to appear too anxious to buy, lest prices soar.

When Julius Garfinckel died last November, he left bequests of \$1,000 to all employees who had been with him more than two years; he left annuities ranging from \$50 to \$500 for a dozen or so key men in the store; and he specified that the balance of his estate should be devoted to the erection and maintenance of a home that would provide

vocational guidance for girls. The four executors, including his nephew as nearest of kin, are now none too anxious to liquidate the estate within the few months that remain of the original year for of late business has been booming.

Fits Into Picture

As far as C.D.C. is concerned, Garfinckel's would seem to be the very type of high-quality, well-established store which would fit most ideally into its plans, though the million dollar capital which Mr. Filene indicated he would make available to C.D.C. would be woefully inadequate for the purchase of such an expensive property. (Some eight years ago, Prudential Life Insurance Co. made a \$4,000,000 mortgage on the store to assist Mr. Garfinckel in the purchase of remaining properties in the block and thus provide for eventual expansion of the store.) C.D.C. has made no announcement about the success of its efforts to borrow additional funds from the Reconstruction Finance Corp. or other financing agents.

Garfinckel's would also seem to be a satisfactory answer to one other difficult C.D.C. problem. The Filene interests have lately revised their plan and have decided to concentrate on one big store in an Eastern city rather than to start out with a chain of smaller stores. But in Eastern cities there is no well-developed cooperative sentiment, such as C.D.C. might expect to capitalize in rural areas—particularly the Middle West. Probably, of all cities Washington comes closest to satisfying these two almost mutually exclusive demands. This is important, for the success of the whole plan rests on the sale of low-priced stock to those who wish to participate in patronage dividends available only to cooperative members.

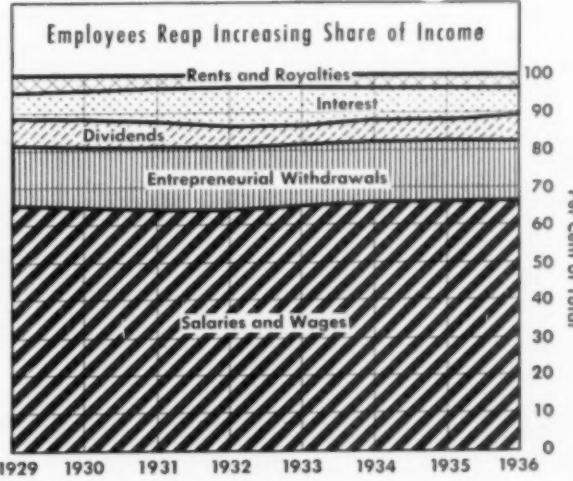
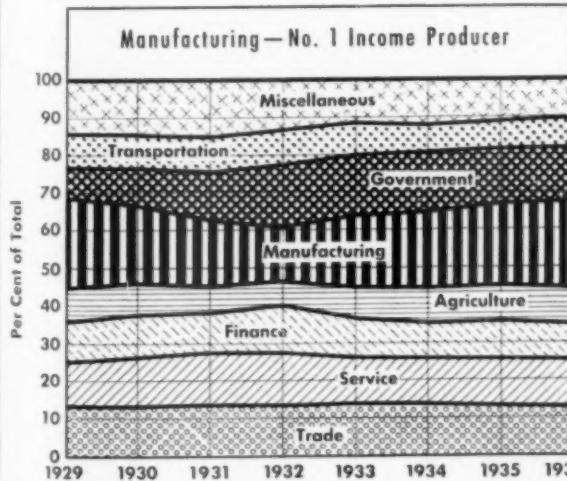
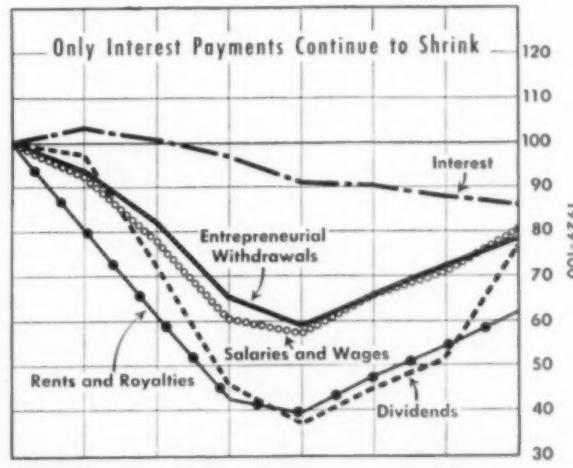
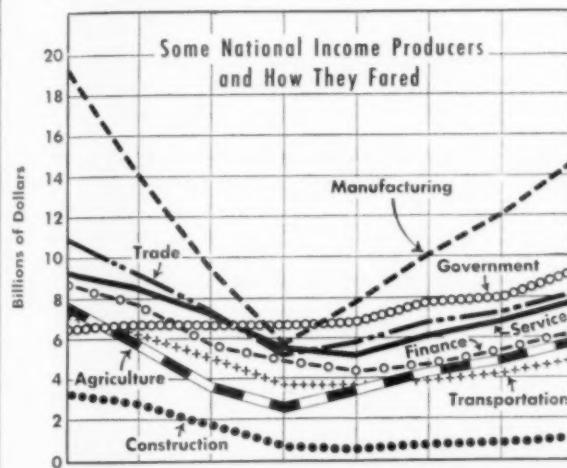
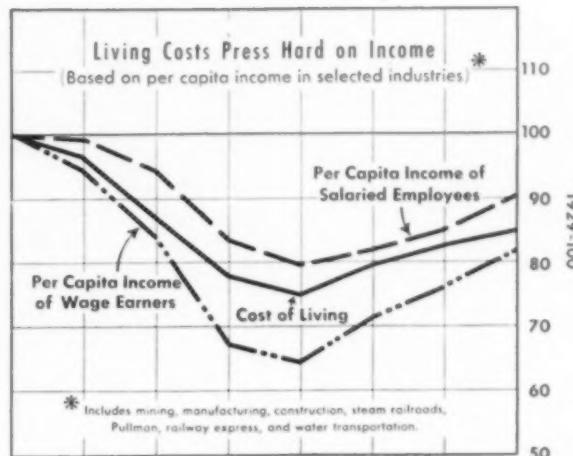
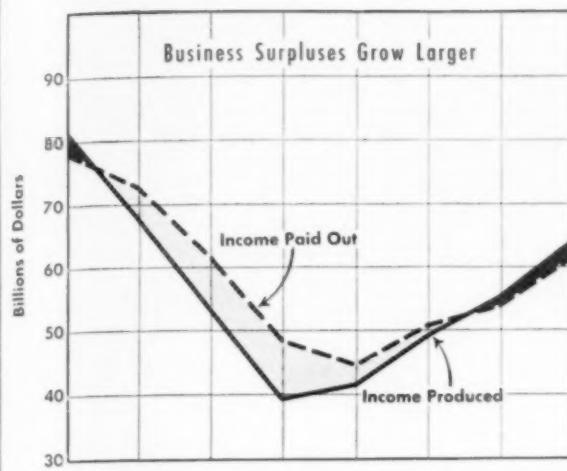
Finally, having settled on its operating plan and having solved the all-important management problem by securing the services of Flint Garrison, former head of the Wholesale Dry Goods Institute, C.D.C. is anxious to get the cooperative department store ball rolling. It's in the market for a store. Garfinckel's is very much available. The dry goods trade looks at these two factors and draws its own conclusions.

Attic Fans for Cooling

THERE'S a pertinent point being overlooked in selling attic ventilation, remarks *Electrical Wholesaling* in its current issue. Down South, heating plants are used intermittently in a short winter season, and they cost from \$750 to \$1,500. Summer weather is twice as long, yet the average home-owner hasn't found out that attic fans can be used to cool the whole house, if they are aimed out the window and the air draws air from ground floors. The cost of a good job is \$300 to \$400.

\$70,000,000,000 IN 1937?

That's the Prospect as National Income Moves Toward Pre-depression Levels



National income should reach the 1929 peak by 1938 if gains during this year and next continue at the pace which has characterized the recovery since the depression low. But even that won't be high enough to yield a 1929 standard of living, because population will have expanded about 7%, and living costs aren't expected to stand still either.

Now Comes Court Bill Filibuster

There was lots of good fellowship at Roosevelt's harmony party, but the plan to add one or two justices will meet a long and resolute talkfest.

WASHINGTON (*Business Week Bureau*)—"My Sweetheart's a Mule in the Mines" seems to have been the theme song at President Roosevelt's harmony conference with Democratic senators and representatives at the Jefferson Islands—which is significant. Not even a congressman would join in warbling that sentimental ballad unless dull care seemed very far away.

This was true. No effort to inject a serious note in any of the President's conversations has been reported. Insurgent senators and representatives for the most part did not even bring up their differences. They talked about how well each other looked, about the delightful salt tang in the air, about the danger of getting too much sunburn, and carefully detoured around questions which might provoke unpleasant discussion.

A few urged the President to permit Congress to go home. In every reported instance he slapped them on the backs, turned the subject to some jovial topic, and shouted a greeting at the next one approaching.

So the situation stands simply thus at the conclusion of this harmony meeting: The President is still boss of the Democratic Party, and boss of Congress. But though he is recognized as the chief, there are plenty of Democrats who are not going to knuckle under

on the important controversial issues.

For instance, on the Supreme Court enlargement. Monday night, following the conference, a dinner was held and plans mapped for the campaign to prevent a vote being reached even if the President should agree to a compromise providing for only two additional justices.

Antis Hold Secret Parley

It is generally agreed among the Democrats that even Jim Farley realizes that on a straight-out vote the proposal to add more than two justices would be defeated. Some of the opponents—most of them in fact—fear that the President's side would win on one or two more justices. Hence the parley held in secret on Monday night, under the guidance of the anti-court-packing leader, Sen. Burton K. Wheeler, of Montana. The whole point was to make plans for preventing a vote—by filibuster or otherwise—even on a one or two justice increase.

So either the President must surrender on the court issue altogether, which does not seem at all likely, or the session is certain to be protracted unduly by a long-drawn-out talkfest, adroitly and skillfully prolonged, and calculated to play hob with the President in other directions.

Members of the House cannot speak

in the Senate, but they have influence on individual senators, and a considerable majority of the House members—Democrats and Republicans alike, will be giving every aid and comfort they can think of to the filibusterers.

Not one whit of impression on the determination was made by the President at the Jefferson Islands.

It also remains certain that the President cannot get more than a fraction of what he wants in the way of government reorganization. He can get the anonymous secretaries, if he wishes, and a few other things, but nothing on which there is deepseated objection.

Of course most Washington observers do not believe the President really expected to accomplish anything in the way of winning backsliders at this conference. It was obvious in advance that Sen. Bailey's terse comment—"Nobody got religion"—was bound to be accurate.

More than a hundred good fellows on a one-day excursion to a pleasant though hot little island in the Chesapeake Bay, with plenty to eat and drink and government launches to provide transportation from the Naval Academy, which is less than 40 miles from the House and Senate Office Buildings. Then picture three of these excursions in succession!

There was lots of backslapping. There was lots of getting acquainted. There was lots of storytelling. And there was lots of singing, of the quality, character, and moral tone usually connected with 3 a.m. after a bibulous stag party rather than a sunny afternoon. But with the President sitting under a tree out in the middle of all



LAUGHING IN THEIR SHIRT SLEEVES — When F. D. R., boss of the Democratic party, held open house at the Jefferson Island Club last week, he let the sun apply the "heat," and limited himself, it's said, to jovial good fellowship with Con-

gressmen brought over by the navy. While the President, some think, did himself a "world of good" at the outing, he didn't melt the opposition of many party members to the Supreme Court reorganization proposals. They didn't "get religion."

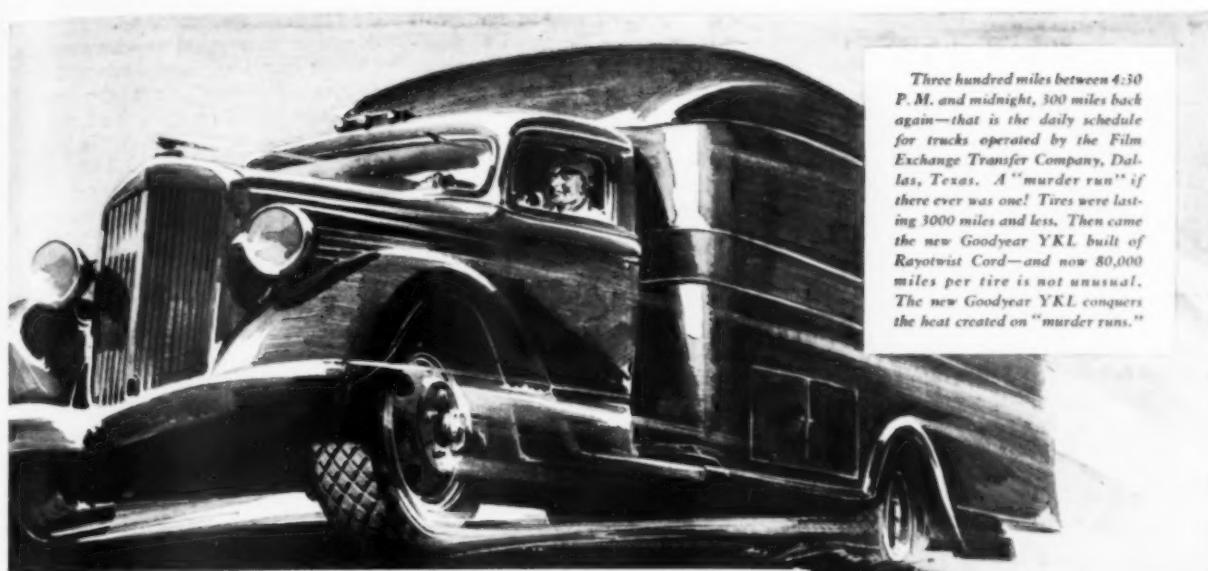
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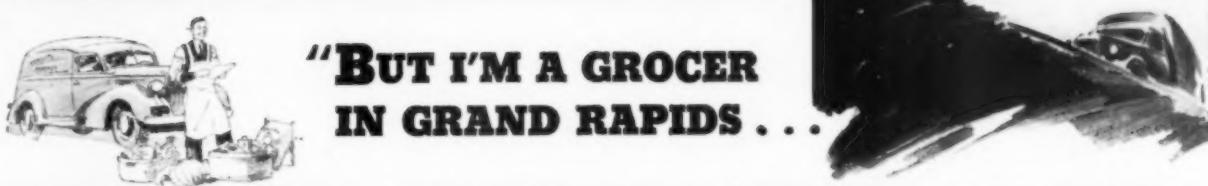
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Three hundred miles between 4:30 P. M. and midnight, 300 miles back again—that is the daily schedule for trucks operated by the Film Exchange Transfer Company, Dallas, Texas. A "murder run" if there ever was one! Tires were lasting 3000 miles and less. Then came the new Goodyear YKL built of Rayotwist Cord—and now 80,000 miles per tire is not unusual. The new Goodyear YKL conquers the heat created on "murder runs."



"BUT I'M A GROCER IN GRAND RAPIDS . . ."

WHY TALK 'MURDER RUNS' TO ME?"

THAT'S A FAIR enough question.

The chances are 99 to 1 that you never do give your tires the beating they'd get on a "murder run."

In that case, this great new super tire—the Goodyear YKL—is not for you.

But news of it is important to you for one very big reason.

Goodyear engineers spent seven years developing the new YKL because they knew there was an urgent need for a tire which could survive on the "murder runs."

They performed a spectacular service. As a result, operators of highspeed, heavily loaded trucks and busses will save hundreds of thousands of dollars every year.

That, however, is only a part of the picture.

These same Goodyear engineers have also developed another tire just as scientifically fitted to your requirements as the YKL is suited to the "murder runs."

It may be the famous Goodyear All-Weather Balloon.

It may be the Stop-Start, the Sure-Grip, the Pneumatic Lug.

Whichever it is, it will give you more miles of trouble-free service per dollar than any other tire produced.

That is why we say:

Put Goodyears—the right Goodyears—on ANY job and watch your mileage jump!

CAUTION!

Goodyear engineers now recommend the new YKL Tire only for the most destructive types of service—those "murder runs" over long distances at sustained high speeds.

In ordinary trucking, its extraordinary capacities cannot be fully utilized—and, frankly, its higher price cannot be justified.

But for operators of trucks and busses on "murder runs," Goodyear recommends the YKL Tire with full confidence in its ability to set new and spectacular performance records—to effect great savings as compared with the cost of conventional tires.

Such operators are invited to write direct to the Goodyear Tire and Rubber Company, Inc., Akron, Ohio, for full particulars.



GOOD YEAR
TRUCK AND BUS TIRES

PROBABLY YOU'VE HEARD THIS ONE . . . THERE'S A REAL KICK IN A GOODYEAR BATTERY!

this, three days running, the scene was not calculated to a serious meeting of minds—to winning over objections. And it didn't happen.

The best answer is that Roosevelt knew it would not happen, but he knew also that the country would read a lot of headlines about a harmony meeting of the Democrats with the President, which would at least inject a note of suspicion as to the accuracy of all this talk about a revolt.

Also—having many times demonstrated the potency of his smile and handshake, he probably figured none of those fellows could hate him quite so much, once the harmony meeting was over. Many may have mellowed, but *Business Week* is in a position to state positively that not all did. And *Business Week* sticks to its calculation that adjournment will not come until October.

No TVA Yardstick?

Veto power over rates is omitted from Arkansas contract. What of future policy?

TVA electric power is going into Arkansas—but over the high lines of a privately-owned utility company. When the juice begins to flow, power con-

sumers in the Southwestern state will get rate reductions running to approximately \$100,000 a year. The contract will be in force for five years.

These, as announced by the Tennessee Valley Authority, were the details of what, on its face, was a perfectly businesslike contract. But to those who have followed the TVA-private utility battle over the last three years or so, the contract had a number of surprising ramifications.

In the first place, it was signed by Arkansas Power & Light Co. which is controlled by an Electric Bond & Share subsidiary. Sister company to Arkansas Power & Light in the Bond & Share system is Mississippi Power & Light; and Mississippi Power & Light is one of the companies contesting constitutionality of TVA in the famous "19 company" suit. And Bond & Share and a long list of affiliates are being sued by the Securities and Exchange Commission to force them to register under the holding company law.

Yet there is a certain friendliness between Arkansas Power & Light and the government. Harvey C. Couch, its president (and builder of the Arkansas, Mississippi, and Louisiana Power & Light companies), is known as a friend of many head men in the Administration and as a supporter of the New Deal. Moreover, the SEC suit against

the top holding company has been conducted with much less bitterness than usually marks such affairs.

Another thing about the contract which surprised many is the fact that it does not embody TVA "yardstick" rates. It was largely TVA insistence on having veto power on rates which wrecked all chances of Commonwealth & Southern subsidiaries buying power from the government dams. Why the policy was not applied in this case has not been explained, but Rep. John E. Rankin of Mississippi, a veteran of nine terms in Congress, says he will find out the reason. Rep. Rankin says the TVA yardstick will not be broken.

This was the first big contract signed by TVA since dissolution of the injunction against its going ahead prior to a constitutionality verdict. The contract involves sale of 10,000 kw. of power capacity in the first year and runs up to a maximum of 35,000. Rates are TVA's usual wholesale prices, and maximum annual revenue may run to \$750,000 for the Authority.

On Arkansas Power's side, picking up power at the new 154,000-volt line now being built from Pickwick Dam to Memphis is a great convenience. The company has been faced with expanding business and a considerable outlay for new facilities. In common with other utilities, it has been worried about TVA and the six new TVA's pending in Congress. The deal brings the company the needed power and, in effect, is a treaty of peace with public ownership advocates.

U. P. Air-Conditioning

Railroad's Omaha home-office building will be biggest so treated west of Mississippi.

In Omaha last week the news broke that the Union Pacific Railroad Co. had awarded a contract for complete air-conditioning of its 12-story, home office building at a cost of about \$250,000. When the project is completed, the Union Pacific building will be the biggest fully air-conditioned building west of the Mississippi River. Omaha people hope the development will tend to put Lincoln, Omaha's smaller trade rival, back into what they believe is Lincoln's place. Lincoln, state capital and home of the University of Nebraska, heretofore has had—and will still have, for that matter—more air-conditioned retail establishments than Omaha. Lincoln merchants and restaurant and movie proprietors put in equipment to keep farmers and small town people from driving to Omaha.

Coincidentally with the U. P. announcement, the Air Conditioning Manufacturers' Association, knowing that much has been published about air-

Most pipe services are corrosive. That's why industry has such a big replacement bill every year. Byers Wrought Iron pipe will cut replacements because it resists corrosion. Leading plant engineers know this and prefer it for refrigeration, process, underground and heating and plumbing

lines. Let our laboratory work with your engineers in studying corrosion in your plant. Also write for "Wrought Iron in Industry" illustrating current industrial uses. A.M. Byers Co., Est. 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston, Seattle, San Francisco.

BYERS

GENUINE WROUGHT IRON TUBULAR AND FLAT ROLLED PRODUCTS
Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

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Foresight Wins

OF CHESS, Benjamin Franklin wrote—
"Several very valuable qualities of the
Mind, useful in the course of human Life, are
to be acquir'd and strengthened by it." Fore-
sight he mentioned first.

Certainly there is one occasion in life where
planning and foresight are necessary—that is
when a man becomes head of a family and
faces the responsibility for the future of his
wife and children.

If you plan your financial affairs as skilfully
as the expert does his chess game, you will
find that you can fortify yourself and

The Metropolitan issues life insurance in the
usual standard forms, individual and group, in
large and small amounts. It also issues annuities
and accident and health policies.

The Metropolitan is a mutual organization. Its
assets are held for the benefit of its policyholders,
and any divisible surplus is returned to its policy-
holders in the form of dividends.



your family against misfortune and want.

A Life Insurance Program started early and
planned carefully is your wisest move in the
uncertain game of living. It will afford your
wife a sure income and untold peace of mind
in case she is left alone to bring up your chil-
dren, and it can give you security during your
retirement years.

An experienced and understanding Metro-
politan Field-Man will be glad to help you
work out the Program best suited to your
needs. Telephone your local Metropolitan
office or mail the coupon.

Metropolitan Life Insurance Company
1 Madison Avenue, New York, N.Y.

Without obligation on my part, I would like
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METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER
Chairman of the Board

ONE MADISON AVENUE, NEW YORK, N. Y.

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LEROY A. LINCOLN
President

conditioning of Pullman cars and little about air-conditioning of railroad coaches, assembled and released some information on this phase of their member's business. Biggest current installers of air-conditioning in coaches are the New Haven, the Louisville & Nashville, the Pennsylvania, and the New York

Central. The New Haven has air-conditioned 100 coaches, and will equip 50 more. The L. & N. has air-conditioned 80 all-steel coaches. The Pennsy recently put 60 air-conditioned coaches into service, and the New York Central has a current program, partly finished, for equipment of 50 cars.

Wage-Hour Fate—and Politics

Chances of bill don't depend on its own merits, but on whether Congress breaks with President. Most major industries show no interest.

WASHINGTON (Business Week Bureau)—The fate of the wage-hour bill this session is controlled by circumstances only remotely connected with the legislation that Senate and House Labor committees went to work on this week. If the New Deal's past legislative legerdemain prevails, the bill should pass in some still recognizable form. If it is not enacted this session, it will not be because Congress is against it. It will be because Congress breaks with the President and refuses to act, or goes home leaving this and other big issues unsettled.

Little genuine interest has been aroused by the Administration's bill to accomplish the main object of the National Industrial Relations Act—to boost wage levels and eliminate child labor. As the story went out to the country at large, the purpose of the bill is simply to establish a 40-hour week and a minimum wage of 40¢ an

hour, with time-and-a-half for overtime.

The testimony of a majority of those who went to the trouble of informing themselves on the much broader provisions of the bill was emphatically in favor of restricting its scope to this fundamental proposition.

Written into the bill are provisions that, if the Labor Standards Board were so minded, would permit it to set a price on the labor of almost if not all the workers in the country. For example, Section 12, paragraph 6, which states that an order of the board relating to wages "may contain such terms and conditions as the board may consider necessary or appropriate to prevent the established minimum wage becoming the maximum wage and to prevent the discharge or reduction in wages of employees receiving more than the established minimum wage."

Little imagination is necessary to translate the effect of this provision and others on labor costs, manufacturing costs, and price levels, but most industrialists do not appear to be concerned, either because they are too busy or because they are afraid to turn their back on their employees and come to Washington when labor trouble looms so large at home.

In the practical absence of recommendations by all but one of the major industries, the recommendations of the exception become significant. The textile industry, particularly the cotton-textile branch, feels that it is elected to make a case, especially since the Administration's wage-hour bill sidetracked an independent move to establish an individual "little NIRA."

Cotton-Textile Model

The cotton-textile industry is on record as advocating a standard 40-hour week for manufacturing industries, the elimination of child labor under the age of 16, and a minimum wage with exceptions for learners and substandard workers. The industry also would regard as "a constructive step" a prohibition against the employment of women and minors in the graveyard shift. Protection against imports would be



Harris & Ewing

NEW TARIFF BOARD HEAD—Raymond B. Stevens, of New Hampshire, has been named chairman of the United States Tariff Commission to succeed Robert L. O'Brien, whose resignation took effect June 30. Last March Mr. Stevens resigned from the commission to campaign for Supreme Court reorganization.

afforded by a provision similar to Section 3 (e) of NIRA, which vested authority in the President to license and set quotas on imports.

The industry is opposed to an all-powerful board. The Cotton-Textile Institute recommends that powers delegated by Congress should be vested in the Federal Trade Commission or some other existing agency. This agency would have the power to adjust the maximum work week upward but could not shorten it, also to reduce the minimum wage but not to increase it.

Differentials Look Safe

Congress is expected to accept an amendment for which support of a majority of the industry is claimed, looking to preservation of the North-South wage differential. This would authorize the agency, after investigation and hearing, to lower the wage standard fixed in the law for any occupation in the light of the particular characteristics of such occupation, the economic differences existing in the region or locality, or the conditions of employment therein. Claudius T. Murdoch, president of the Cotton-Textile Institute, told the joint committee that a majority of the industry does not advocate a legislative differential to the full extent of the existing differential, but does urge one as high as \$1 per 40-hour week.

The wage-hour bill has its roots in the textile industry, and, as circumstances have shaped up, it will be strange if the pattern for all industry is not cut by Congress with that industry in mind.



Wide World

ORGANIZES FEDERAL WORKERS—Jacob Baker, former FERA and WPA assistant administrator, has been selected by John L. Lewis to act as president of the United Federal Workers of America, which will conduct a campaign to line up civilian government employees.



Selecting the important

WET SPOTS

An excellent example of the flexibility of "Where to Buy It" service

You can match this dealer identification service exactly to fit your distribution.

An example of many is offered by companies whose listings are illustrated. They use Classified Telephone Directories only at or near the nation's important "wet spots" (oceans, rivers, lakes) where they do most of their business.

Your company's set up is probably different, but we can readily show you how "Where to Buy It" will work for you in anywhere from one to a thousand directories.

Trade Mark Service Division, A. T. & T. Co.,
195 Broadway, New York (EXchange 3-9800) or
311 W. Washington St., Chicago (OFFicial 9300).



Supers Reach Peak in Pittsburgh

A&P. boasts its biggest supermarket development there as it keeps pace with independent Streamline stores. Streamline tries out uniform 10% markup.

SUPERMARKETS are changing the course of retail distribution. Focal point of the supermarket development—particularly as the chains have adapted this mass merchandising technique to their special needs—is Pittsburgh.

There in the past two years the Great Atlantic & Pacific Tea Co. has established 7 giant supers with as many more in nearby areas. And among them, according to food trade estimates, are four or five of the biggest outlets in the entire A&P. empire of some 16,000 stores—outlets that gross upwards of a half million dollars a year, 10 times the volume that moves through the average A&P. store.

Can't Blame R-P Law

There's a reason for this development in Pittsburgh. And it isn't the Robinson-Patman law, for when the company opened its first super there, that legislation was little more than a gleam in Rep. Patman's eye.

(Of course the law has since been a big influence in forcing chains to expand their experiments with the big-volume units in an effort to reduce costs and thus offset the price-jacking effects of the R-P law with its restrictions on quantity discounts and allowances.)

A similar but even later emphasis

has been placed on the advisability of "going supermarket" by the recent enactment of Pennsylvania's \$500-a-store chain tax (*BW*—Jun 19 '37, p23).

But these two measures had nothing to do originally with the A&P. development in Pittsburgh. Neither did the fact that the City of Seventeen Bridges is a "natural" for the supers with its various neighborhood markets all made to measure by rivers and mountains that divide the city up into a number of distinct trading communities, each easily dominated by a super.

Those are all factors in the present picture, but A&P.'s original motivation was supplied by that old motivator, competition.

It was early in 1935 that L. B. Smith, a jobber of Punxsutawney, Pa., decided he could do a better business by jobbing groceries direct to the public than he could solely by jobbing them to the local retail trade through his Jefferson Wholesale Grocery Co. That idea had been slowly burgeoning through nine years of work as merchandise manager for the P. H. Butler Co., a chain of several hundred stores with headquarters in Pittsburgh. It took definite form as the result of an inspection trip to some of the big supermarkets such as Big Bear and King

Supermarket Special

The most spectacular of recent innovations in retailing is the supermarket, and Pittsburgh is the place where the supermarket has attained its fullest development. What light can Pittsburgh's experience afford the rest of the country? If a chain tax is enacted in Washington, D. C., there may be a growth of supermarkets there. Many supermarkets may start up in Pennsylvania, because of the new state chain tax. Ditto for many other states. So here is the Pittsburgh story—informative, significant, and prophetic.

Kullen which had sprung up farther East during the depression.

In June, 1935, Mr. Smith opened his first Streamline market in Pittsburgh.

A&P.'s reaction to Streamline's first advertised prices was almost instantaneous. In big newspaper space, the chain announced prices which cut under Streamline at every point. But Smith, who had figured his costs pretty closely, wasn't to be drawn into a competitive price war. He shaved his quotations as close as he could and hung on.

Like to Do Well at Home

In its own home town, no chain likes to be undersold, and Pittsburgh is A&P.'s home town in the sense that it is headquarters for one of the five almost autonomous A&P. divisions. But neither does a chain like to cut its own throat by taking a loss to meet a competitor's prices. In such circumstances, it's best to meet fire with fire, to adopt the competitor's own tactics insofar as that may be feasible.

Toward this conclusion, A&P. was impelled by the sad experience of Kroger Grocery & Baking Co. which in the past three or four years has had to contend with supermarkets operated in its own home town by former Kroger president, William H. Albers.

But where Kroger was inclined to regard the Albers supers as a depression flash-in-the-pan, A&P. by 1935 was well aware of the super's permanence. And where Kroger did virtually nothing about the supers at first, A&P. did something definite pretty quick.

In September of 1935, A&P. opened its first super in Pittsburgh. Streamline opened a second and so did A&P.

The expansion program continued with both outfits opening new markets sometimes on the same day, and always in adjacent communities, though never the same trading zone, until A&P. now has a dozen markets which can be classified as supers and Streamline has seven, grossing nearly three million dollars a year in the aggregate.

The race isn't over yet—Streamline



CONSUMER EDUCATION—Pennsylvania citizens learn at first hand what alterations in the marketing pattern are effected by a \$500-per-unit chain store tax, as A&P. closes more than a hundred stores in the state. The tax is accelerating the rapid development of supermarkets in metropolitan centers—particularly Pittsburgh.

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A & P SUPER

1635 McFARLAND ROAD, MT. LEBANON
625 HOMEWOOD AVE., HOMEWOOD
525 LINCOLN AVE., BELLEVUE
726 PENN AVE., WILKINSBURG



Wisconsin Domestic

SWISS CHEESE .25c

Pure Lard	2 lbs.	25c
Cane Sugar	5 lbs.	25c
Eggs	doz.	45c
Campbell's Beans	1-lb. cans	20c
Red Circle Coffee	3 lbs.	55c
Phillips Soups	4 cans	19c
Palmolive Soap	cans	5c
Pillsbury Flour	2 1/2-lb. cans	1.03
Pineapple	1/2 lb. sliced	10c
Jello	6 pax.	25c
Ivory Flakes	2 lbs.	39c
Nutley Margarine	2 lbs.	23c
Miracle Whip	1/2 pt.	35c
Crabmeat	2 cans	49c

Cal. Oranges 2 lbs. 35c

Bananas 5 lbs. 23c

New Potatoes peck 25c

Tobacco Velvet or Prince Albert can 10c

Swanson Cake Fl. pks. 23c

Soups Campbell's—Except Tomato & Chicken 3 cans 25c

Silver Dust 2 lbs. 35c

8 O'Clock Coffee 3 lbs. 47c

Coffee Chow & Barbara lb. 24c

Towels Scott or Red Cross 3 rolls 25c

Fresh Bread 2 lbs. 17c

Fats Martha Head 10 lbs. 41c

Sheppard's Cheese 2 1/2-lb. pks. 25c

Table Salt 7c

Veal Cutlet lb. 29c**Veal Loin Chops lb. 25c**

MARKETS

302 NO. HIGHLAND AVE.
35 MAIN ST., CARNEGIE
814 BRADDOCK AVE., BRADDOCK

Cal. Oranges 2 lbs. 35c

Bananas 5 lbs. 23c

New Potatoes peck 25c

Tobacco Velvet or Prince Albert can 10c

Swanson Cake Fl. pks. 23c

Soups Tomato & Chicken 3 cans 25c

Silver Dust 2 lbs. 35c

8 O'Clock Coffee 3 lbs. 47c

Coffee Chow & Barbara lb. 24c

Towels Scott or Red Cross 3 rolls 25c

Fresh Bread 2 lbs. 17c

Fats Martha Head 10 lbs. 41c

Sheppard's Cheese 2 1/2-lb. pks. 25c

Table Salt 7c

Sunnyfield Family

FLOUR 24/lbs. sack 69c

Butter Tab or Ball Style 2 lbs. 61c

Corn Flakes Sunnyfield 12 oz. 9c

Pink Salmon 10c

Peaches Del Monte 2 lbs. 35c

Brick Cheese 19c

Wheaties 2 pks. 21c

Tomatoes 10c

Pineapple Juice 29c

Sweet Corn Standard Pack 3 cans 25c

Royal Desserts 6 pks. 25c

Baby Foods Clapie 3 cans 23c

Potted Meats Armor 81/2-oz. can 5c

P&G Soap Laundry 10 lbs. 35c

Heinz Ketchup 16c

A & P FOOD STORES

FEATURE ANN PAGE
SALAD DRESSING

Quart Jar 29c

Other Fine Quality Foods At Bargain Low Prices

Nectar Tea	25c
Iona Pork & Beans	5c
Red Beans	4.25c
Chili Sauce	10c
Plain Olives	29c
Ann Page Catsup	9c
Sparkle	19c
Spaghetti	25c
Sandwich Spread	12c

Horseradish	8-18c	Butter	25c
Honey	15c	Eggs	25c
Fresh Fruits & Vegetables	LUX 93c	SOAP	90c
Watermelons	49c	LUX	90c
Cantaloupes	9-95c	RINGO	91c
Bananas	3c	SPRY	99c
Tomatoes	9-95c		
Beets	3c	CIGARETTES	27c
Leaf Lettuce	4c		

To A&P Best Roasts
A SALE OF BEEF ROASTS

Prime Rib	12c	Beefsteak	13c
Chuck	20c	Short Ribs	17c
Round	17c		
Stew Meat	17c		

FRESH FIELD
FULLY DRESSED CHICKENS

FOR STEWING	93c	FOR ROASTING	1.19
FOR COOKING	93c	FOR COOKING	1.19
COLD CUTS	27c	COOKED HAMS	39c

MILK LOAF
SOFT LUNCHEON LOAF

This is the most popular form of the A&P Family breads. It is made from flour, sugar, yeast, salt, and butter. It is a soft, moist loaf, and is excellent for sandwiches.



SAME STORES, DIFFERENT PRICES—In the same issue of the same Pittsburgh newspaper, A&P. runs one ad for its regular food stores and one ad for its new supermarkets. The former features largely private brands and unbranded items, the latter is made up almost exclusively of nationally advertised brands. Direct price comparison is possible on only five items—Nutley margarine, 8 O'clock coffee, eggs, butter, and bananas—and on these the supers boast prices 3% to 8% lower.

Office and warehousing expense is cut to a minimum because there are few broken lot orders to be taken care of and bulk orders are delivered direct to each super. This cost, together with advertising expense, averages just 3.5% of sales; and advertising allowances, mounting up to 1.8% of total dollar volume, cut this figure to 1.7%. Hence, with an average 10% markup on the owned cost of merchandise, Streamline has enough to earn a nice profit.

Efficient as that setup is, Mr. Smith doesn't think it represents the last word in mass merchandising economy. He has some ideas himself as to how it might be improved upon. One of them he put into operation and he still thinks it's good even if it did pan out to be something of a noble experiment.

Essence of that idea was a uniform markup of 10% on everything. No loss leaders. No long profit items. "Maybe we are wrong—but for years it has seemed to us that the practice of selling sugar, flour, or Crisco at cost, then crossing the fingers in the hope that the customer would buy a broom or similar item of high profit to balance the sale, is far from ideal." That was the way he put it in his advertisement announcing inauguration of the straight 10% policy at the Streamline in Braddock, a Pittsburgh suburb.

That was three months ago. Today the Braddock market is virtually back on the old loss-leader standard with all the other Streamline supers.

The plan failed chiefly for two reasons, neither of which is sufficient

to invalidate the scheme categorically.

(1) The Braddock market was not sufficiently isolated from other units in the Streamline chain to avert customer confusion. Inevitably, some shoppers saw ads for other Streamline units offering, for example, 25 lb. of sugar for \$1.19 at a time when the cost price to Streamline was \$1.20 and when the Braddock market, operating on the straight 10% plan, was necessarily quoting a price of \$1.32. Such discrepancies were hard to explain away.

The Thing Backfired

(2) Consumers, unaware that most markups far exceed 10% (the chains average 18% or better), protested such "profiteering." Streamline now realizes that less emphasis on the 10% figure and more emphasis on the savings effected on all items except the popular price-quotients, would have been more expedient.

These two alterations could be easily effected and Streamline is considering using the flat 10% approach, if and when it opens up in Cleveland as planned. For the scheme has much to recommend it. It means easy inventory, rapid checking of profits or losses, and a materially accelerated turnover on the whole line. It means lower prices which the competition can't touch on



Wide World

SWING HIGH, SWING LOW—As an attraction to tourists, an aerial tramway, said to be the first ever built in America, is to be constructed up Cannon Mountain, in New Hampshire. Completion is set for July, 1938. The cars, with a capacity of 25 passengers and an operator, will take six minutes to ascend from Franconia on Route No. 3 to the summit, from which visitors can have a view into Canada, Vermont, and New York.

all but a few items and prices that involve no loss of profit. As such, it is a more effective device for selling the idea of economy than any of the conventional methods of cut-price sales or advertised specials, and its effectiveness is heightened by listing on the price tickets the former quotation and the lower one effected by the cost plus 10% formula. (Cocomalt from 41¢ to 35¢, Campbell's soups from 9¢ to 7½¢, vanilla extract from 17¢ to 13¢, etc.)

The genius of the plan was amply demonstrated in the Braddock experiment by the fact that the unit number of special items moved was more than doubled while the sale of staples—sugar, flour, milk, cigarettes, and canned tomatoes—on which there is usually no profit, was cut almost to zero and without a decrease in total sales volume.

The high percentage of these price footballs which the average chain is forced to move by its own loss leader policy at little or no profit—30% to 40%—is the bane of its existence. Hence, use of the uniform markup plan might prove particularly feasible for the conventional chain store system. The loss-leader burden would be tossed on other shoulders—probably the super's—while the chain, by properly merchandising the savings that result from its uniform markup plan, would lose none of the power of its price-appeal in the eyes of the consumer.

Jobbers Up In Arms

The Braddock experiment had one other backfire not listed with the two above. Jobbers and wholesalers got up in arms about it because independent dealers who would ordinarily be their customers were using the Braddock market as a cash-and-carry wholesaler

buying supplies on the cost-plus-10% basis. On a good many specialties that 10% was less than the dealers were paying jobbers.

So the jobbers protested to the manufacturers, and they in turn clamped down on Streamline, forcing the super to observe certain price floors. (That was one reason why at the end of the 12 weeks Streamline found it had actually netted a little more than 10% over cost—about 12% or 13%. Fractional price quotations and the inability to reflect daily price fluctuations in retail figures were two other causes that contributed to that end.)

Super Comes to Heel

When the manufacturers clamped down, Streamline came to heel quickly, for nationally advertised brands are the super's stock in trade. When a manufacturer has to maintain a certain minimum price to placate independents, particularly when he is introducing a new product and the small dealers threaten to drop the item if it is price-cut, the supermarket is usually willing to play ball, for it must carry the product. A complete line is the super's big boast. The average market has a stock of 4,000 or more items, compared with a third that many carried by the average chain outlet. Included in the super's stock are hundreds of specialties that would never move except in a self-service market where the consumer studies price, quantity, and quality declarations on the label and sells herself.

Of course, when a manufacturer lifts the price controls and suggests that a few special sales to increase volume and consumer acceptance would be in order, there's none more willing than the super to oblige.

The amicable relations existing between manufacturer and super, and the obvious satisfaction of the consumer with the price break that he gets, as manifest in the steadily rising sales of both A.&P. and Streamline supers, definitely point the trend in tomorrow marketing, already well advanced in Pittsburgh. Serve-yourself supermarkets for the mass trade—both chain and independent; small service grocery stores for credit, service, and convenience—also both chain and independent.

Food Price-Fixing

Kraft-Phenix scores a first by issuing resale contract in Illinois. Chains kick.

KRAFT-PHENIX Cheese Corp. last week scored what is generally regarded as first in the food trade with the issuance of contracts under the Illinois state fair trade law establishing a minimum resale price of 37¢ on Kraftone, a new powdered chocolate milk product competing with Ovaltine, Cocomalt, and similar food drinks.

When Kraftone made its bow on the Chicago market a month or so ago, the suggested resale price of 39¢ was pretty generally ignored, particularly by food chains, which put it on special sale at prices as low as 29¢. The result was that independent grocers kicked, said they couldn't move Kraftone at profitable prices in the face of such competition, and refused to stock the product.

Apparently afraid that the revolt of the small grocers would cut distribution to a point where the advertising placed behind the new product could not be adequately capitalized, Kraft took the only way out; it fixed the minimum price by negotiating a fair trade contract with a distributing subsidiary, Sander Cheese Co., and by sending other contract forms to other retailers, principally the big chains. Under the Illinois law, the price stipulated in a contract with any retailer is binding on all others who are advised of the terms, whether or not they choose to sign the contracts.

They Don't Choose to Sign

And the chains definitely do not choose to sign. They say it is impossible for them to jump the price from 29¢ to 37¢, that they might have been willing to cooperate had Kraft introduced the product originally on a guaranteed price basis, but they can't possibly do it now. In fact, one chain has notified Kraft that it is returning its entire stock of Kraftone and refusing to handle the product until the fixed price is abandoned or at least lowered. And it is threatening to adopt the tactics employed by R. H. Macy & Co. in fighting the New York fair trade law by telling

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By and large, grocery manufacturers have steered clear of the fair trade laws because they feared just such reprisals as these from chain store operators who are generally in position to make the retaliation double-edged by pushing their own well-developed private brands. In the case of a specialty item like Kraftone, however, the threat of private brand substitution is somewhat lacking in substance, and that's why the food manufacturers are watching Kraft's Illinois experience with eager interest.

Used Limited Term Contract

Kraft has already successfully pioneered one novel application of the fair trade laws—the limited term contract, which it employed to set minimum prices on cheese for a week or so during a widely advertised sale in New York and New Jersey. Independents were, of course, only too willing to initial the contracts, and in the face of the heavy Kraft advertising, chains could not afford reprisals without cutting off their collective nose to spite their face.

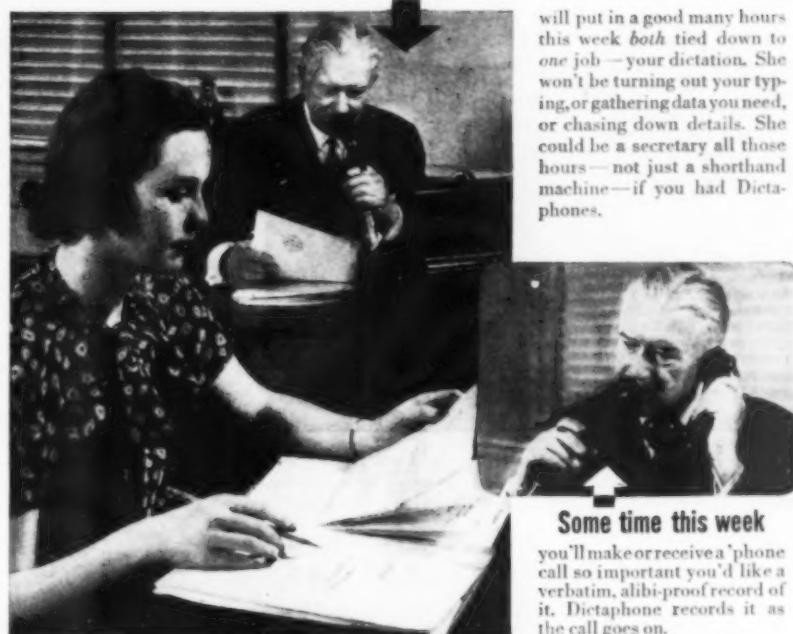
The in-and-out contract has its appeal, but in view of the increasingly heavy demand for guaranteed prices from grocery retailers, manufacturers are afraid they might not get out so easily once they got in. And once in, they know what vigorous competition they could expect from the chain store private brands. But with the increasing price tension in the trade, heightened now by supermarkets, it seems inevitable that they will ultimately be forced to choose between the devil and the deep blue sea.

Sell Him a Wardrobe

SALES of men's suits dropped 18% between 1926 and 1929—when nearly everything else was setting records. Digging into the reasons, Associated Wool Industries discovered that the motive for buying was "replacement"; in other words, men didn't buy more suits, they bought a new one as the old one wore out. Hence the campaign to sell the idea of "wardrobe" buying, which is going fine right now. *Textile World* reports booming sales in nearly all parts of the country, and the big stores are enthusiastic. Advertising, display, and other promotion go hand-in-hand with re-education of sales personnel, and a lot of men are buying new suits before the old ones get shiny.

There's no good reason, the manufacturers point out, why men should be so much less "occasion-conscious" in their dress than women. If the manufacturers can really convince them that the same suit they wear for business won't do for all other purposes, it will be a real sales step. Wives who have had trouble getting papa to dress up will be glad to help.

You and your Secretary



will put in a good many hours this week both tied down to one job—your dictation. She won't be turning out your typing, or gathering data you need, or chasing down details. She could be a secretary all those hours—not just a shorthand machine—if you had Dictaphones.

Some time this week

you'll make or receive a phone call so important you'd like a verbatim, alibi-proof record of it. Dictaphone records it as the call goes on.

It's time you knew more about Dictaphone. Thousands of men today will tell you this modern dictating machine helps them get lots more done—with far less strain. They like that kind of result.

**We'd like to show you**

just what Dictaphone's all about. A half hour, at your convenience, will do it. Even if you never mailed a coupon before, mail this one now.

**You'll have a conference**

or two this week which will take too much time—and get too little accomplished. With Dictaphone, you cut those conferences just about in half. You get meatier results, and have a record instead of just a memory of it all.

The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation.
Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

BW-7

Dictaphone Sales Corp., 420 Lexington Ave., N.Y.C.
In Canada—86 Richmond St., West, Toronto

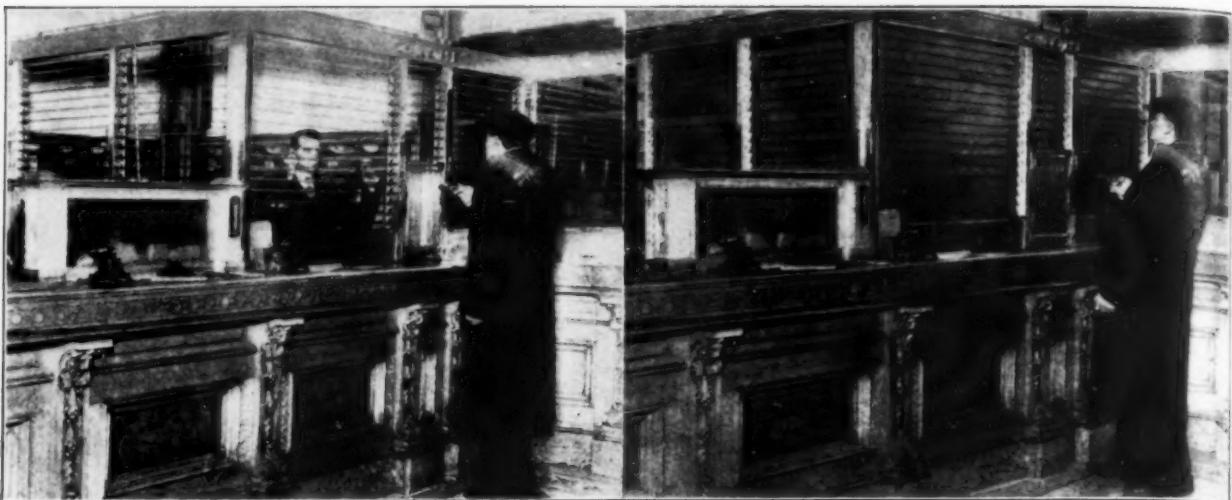
Please let me know when "Two Salesmen in Search of an Order" will be exhibited in my city.

I want to see your representative.

Name _____

Company _____

Address _____



Picture, Inc.

HOW TO FOIL A BANK HOLDUP—The bandit has the teller covered (left). But all is not lost. By pressing a button with his foot, the latter covers himself—with bullet-proof steel blinds

instantly shutting in the cage (right) and giving Mr. Thie the surprise of his life. This method of frustrating bank bandits was devised by J. A. Boivin, of Quebec.

Men's Clothing Prices Up 10-15%

Ready-to-wear garments will cost more this fall, because of 20% increase in manufacturers' costs. Industry worries about consumers' reaction.

If men will wear belted coats, as many of them are doing this summer, the men's ready-to-wear clothing industry believes they will also wear plaids, now definitely scheduled to be popular in fall suits. But the meticulous job of matching plaids takes time, with the result that what originally seemed a smart fashion-maker's twist has slowed up production. And yet plaids aren't the chief worry in the industry by a long shot.

More important is the question how the consuming public will react to increased prices in the fall—forced upon manufacturers by increased costs. More remote but even more important worry is the question how thick and how solid is the economic ice on which American business is skating.

Costs Lead Prices

Manufacturers' costs, including taxes and labor bills, are up about 20%. Manufacturers' prices are up 10-15%. Retail prices for fall will be up from \$2.50 to \$10 a suit. It takes an economically healthy country to swallow that big a price rise.

Big manufacturers in Chicago and in Rochester, N. Y., selling established, nationally advertised brands, have not cut quality. The same goes for the better houses in Cincinnati, whose clothing industry is partly ready-to-wear, and partly based on business scared up by salesmen who scoot from county seat to county seat in motor cars, measuring the town lawyer, doctor, and

banker. The industry knows that most business and professional men will gladly pay higher prices for superior suits if their incomes permit it. But the industry knows, too, that salaries of office workers and many other white-collar people, who are bigger consumers of ready-to-wear suits than factory workers, haven't shot upward like factory workers' wages. And it has no doubt that fall price advances will meet with mixed reactions.

Quality Houses Hardest Hit

The four most widely and favorably known ready-to-wear houses in the country are the Hickey-Freeman Co. in Rochester, and Hart Schaffner & Marx, B. Kuppenheimer & Co., Inc., and Alfred Decker & Cohn (Society Brand) in Chicago. Hickey-Freeman, no cutter-of-quality, reflects the poised, settled section of the country that gave it birth. The other three, though products of Chicago, whose clothing industry dates from the years immediately following the great fire of 1871, when the city made cheap suits for the farmers, ranchers, hired hands, and miners of the West, have left that sort of business to their competitors, and make suits that vary from good to excellent for ready-to-wear, depending upon price. These four houses, above most others, are probably hardest hit by rising costs.

At the offices of Hart Schaffner & Marx, where the company's 26-year-old, liberal labor policy (*BW*—Apr. 17'37,

p20) serves as an executives' compass in labor matters, the Administration's labor policies are not criticized, though in conjunction with the Administration's monetary policies they have done much to raise costs in the clothing industry.

Blame Labor Unrest

But most executives of other companies think both the Administration's labor and monetary policies are about as sound as so many of last year's apples. On the point of the consumer's reaction to increased prices in the fall, however, these same executives are for the most part relatively optimistic.

This opinion is based in part on the belief of the executives who hold it that they know the consumer, and in part on the fact that orders for fall are up in numbers of units as well as in dollar value. But there are at least two important men who don't share it. One, a top executive in the manufacturing field, might have turned his company from a policy of quality production to one of making suits of slightly inferior quality and selling them for a little less, and didn't choose to do so. He says, "The economists are in the doghouse because they made too many predictions," and he isn't betting as to what the consumer will do this fall.

May See "Buyers' Strike"

The other exception is a smart Chicago retailer who believes autumn may see the beginning of what may be called, loosely, "a buyers' strike," though he doesn't like the term or consider that it describes accurately the economic phenomenon he has in mind. He says, "The consumers will curtail their buying. They will buy when they have to."

Flaws in Sugar Bill Compromise

Sen. O'Mahoney and Rep. Jones offer companion bills, but these differ on some points. Both cut Cuban refined imports, and flout Hawaii and Puerto Rico.

MONTHS of wrangling over sugar legislation had boiled down this week to a brand-new compromise bill introduced in the House of Representatives by Texas' Marvin Jones. A companion bill, sponsored by Wyoming's Joseph C. O'Mahoney, went to the Senate. Everything was set for the effort to push them through when it was discovered that there were discrepancies between the two bills and that the compromise wasn't as perfect as everyone has been led to believe.

From Sen. O'Mahoney's office came stories of a "typographical error." In the first printing, domestic beet sugar producers were given 20,000 tons more than the Senator intended. But, even after corrections, Jones and O'Mahoney hadn't gotten together, which was a surprise in view of past performances. There were stories in Washington that they intended to draw identical bills but each time they corrected one mistake, somebody made another.

Where Bills Differ

The discrepancies between their bills are these: Jones asks a quota of 1,550,000 tons for the domestic beet producers and 420,000 for the Florida and Louisiana cane growers; O'Mahoney puts the beet quota at 1,580,145 tons and the cane at 400,065. Of course, Jones comes from Texas, which isn't

very far from the cane country. And O'Mahoney comes from the beet area. But the sugar trade found it hard to believe that they had split along territorial lines in view of past performances.

The mixup is further complicated by the fact that the bill favoring the beet areas was introduced in the Senate where the cane states swing their greatest weight. And the bill favoring the cane states went to the House where the beet growers have their largest voice.

Where They Agree

In other respects, the quota figures in the two bills were identical. Both drafts gave Hawaii about 25,000 tons less than the House Agricultural subcommittee recommended in April, and Puerto Rico 22,000 tons less. Each added about 90,000 tons onto the total Cuban allotment approved by the House subcommittee, which trimmed the Department of Agriculture's recommendation. Each gave to Cuba 375,000 tons of refined sugar instead of the 300,000 previously asked by the House subcommittee. Each slashed the Hawaiian and Puerto Rican quotas for refined sugar to the levels heretofore in force, whereas the Department of Agriculture urges a big increase.

The cut in the amount of refined sugar which Puerto Rico and Hawaii may ship to the United States is a con-

cession to domestic cane refiners; the boost in Cuba's refined quota is a concession to Sec. Cordell Hull and a blow to domestic refiners. Nevertheless, the quota now suggested for Cuba is lower than the present one, which is continued in the bill brought forward in April and attributed to the Department of Agriculture. (For detailed figures, see accompanying table.)

The bills purport to embody the principle of according Hawaii and Puerto Rico the same treatment as the domestic beet and cane sugar interests. These islands had argued that they were part of the United States, hence should be allowed to ship any amount of refined sugar inside their total quotas. They were supported by Sec. Harold Ickes. The Jones and O'Mahoney bills say that they are, in fact, a part of the United States, but that's no reason to change the islands' refined sugar quotas.

Nothing Left Over

The new bills put the excise tax on refined sugar at 50¢ a cwt. Sec. Henry Wallace, early this year, wanted it to be \$1; the President asked for 75¢ in his recommendations in March. If the 50¢ level prevails, the Treasury will take in just about what it is proposed to pay out to cooperating farmers as benefits. The Administration planned to have something left over.

Highway Hotel Chain

Sleep-Over System will start with several units in Ohio. Room, bath, no food.

SLEEP-OVER SYSTEM, INC., a new, closed corporation, whose president is Clarence M. Day, former president of the Jaxon Steel Products Corp., the wheel division of General Motors, will soon begin building nine or ten highway hotels in Ohio. The Ohio cluster, which is expected to be completed and in operation by Oct. 1, will be the first in a national chain. Corporation charter comes from Delaware. Direction of operations will come from a home office in the General Motors Building in Detroit.

32 Rooms to a Hotel

Ohio buildings will consist of two floors each, cut up into sixteen rooms each, each room with tub, shower, and radio, and will be fire-proofed and sound-proofed. Units will not sell food, and will stress the talking point that they sell "sleep only," expecting prospective guests to assume that they sell baths as well.

Reincke - Ellis - Youngreen & Finn, Chicago advertising agency, put together a mammoth and profusely illustrated brochure which the promoter used in putting together the capital

Sugar Quotas (in short tons) Under Four Plans

Dept. of Agriculture Bill	Total Quotas		
	House Sub-committee Bill	Jones'	O'Mahoney's
Continental beet	1,569,598	1,614,575(a)	1,550,000
Continental cane	360,138	459,006(a)	420,000
Hawaii	949,893	963,930	938,000
Puerto Rico	808,648	820,493	798,000
Virgin Islands	9,244	8,918	8,918
Philippines	1,035,847	970,000	1,029,781
Cuba	1,922,734(b)	1,820,420	1,911,000
Other Foreign	92,715(c)	25,328	27,000

Offshore Direct Consumption Quotas*

Hawaii	300,000(d)	29,616	29,616	29,616
Puerto Rico	250,000(d)	126,033	126,033	126,033
Philippines	80,214	80,214	80,214	80,214
Cuba	423,001(b)	300,000	375,000	375,000

* Direct consumption quotas represent portion of total quotas which may come to market as refined sugar (no restriction on continental areas).

(a) House subcommittee sliced Cuban and Philippine quotas to increase domestic beet and cane allotments.

(b) Secretary Hull backed large quotas for Cuba under spirit of trade treaty.

(c) Secretary Hull asked larger "other foreign" quota to facilitate further trade agreements with Latin America.

(d) Hawaiian and Puerto Rican refined quota boosts recommended under islands' plea for treatment identical to that accorded continental areas.

Data: U. S. Budget

• Business Week

191 Bankers Get Diplomas

Ranging in age from 29 to 58, they're the first graduating class of the Graduate School of Banking, at Rutgers University. Sessions held annually.

THERE was a run on the banks of the Raritan this week. 191 bankers, from all over the United States, caused it. The three dozen cleaning and pressing establishments in New Brunswick, N. J. (pop. 34,555, 1930 Census) were steaming overtime on an assortment of white suits—linen, wool, and cotton.

Doings across the railroad track, which divides the Rutgers University campus from the town, account for such sartorial vehemence. There were graduation exercises. Bankers were to be graduated by the Graduate School of Banking and they were to appear in crisp white to get their diplomas.

Diplomas Handed Out

Tradition was established. Never before had the 39-year-old (average) boys from G.S.B. held graduation exercises. This was the first—the class of '37, Rah! Rah! Rah! With friends and relatives and the lowlier freshmen and juniors foregathered in the huge Rutgers gymnasium, Lewis E. Pierson, chairman of the Irving Trust Co. and chairman of the board of regents of G.S.B., passed out diplomas and certificates. The sheepskins bore a double garniture: the stamp of G.S.B. as well as the stamp of Rutgers University.

The G.S.B. is a bankers' school for bankers—where theoreticians and practical men meet—under the auspices of the American Bankers Association. It is limited to 600 enrollees, and the demand already surpasses supply by a considerable number.

Cars but no Liquor

At a casual glance it looks like a two-weeks' convention; but it is anything but that. Nearly half the students own cars and keep them on the campus—indicative of mature financial stature, despite ivy-walls and campus walks which suggest Joe College. And there is no liquor, nor are there any identification badges (tags) such as are worn at conventions. If one man wants to meet another he goes up to him and says, "I'm Fred B. Buck of the First National Bank of Bakerton, Pa., and I wanted to say that that was a shrewd question you asked at Dr. Burgess' lecture this morning."

All in all, it's a somber and sober atmosphere. The men are there for two weeks during three successive summers and either they personally, or their banks, are paying \$150 for the privilege. More, between annual sessions they are doing work at "home," in special problems arranged by a faculty which is deliberately made up of both practical

bankers (men in banking) and academicians (teachers of banking).

Each student is required to select a major and a minor subject among banking, trusts, or investments; all are required to take courses in banking law and economics. The two weeks of resident session (and everyone must live on the campus, even New Brunswick "boys") are devoted exclusively to lectures, conferences, and quizzes. Homework literally is homework.



ADDRESSES BANKER STUDENTS
Tom K. Smith, president of the American Bankers Association, spoke at the opening of the 1937 session of the Graduate School of Banking, sponsored by the association at Rutgers University. At commencement exercises on July 2, diplomas were awarded to 191 bankers.

For relief from this intensive assimilation of knowledge there are intramural sports: baseball, tennis, horseshoe pitching, rowing and fishing; but no golf, which normally is assumed to be a required subject for bankers. The reason for the ban: golf takes up too much time. But Saturday afternoons and all day Sunday are free—for golf or other diversion. At such times, even the spirits of mature bankers effervesce. A person strolling along the campus, in the midst of a group of banker-students going from one class to another, might have overheard a conversation like this:

"I never saw so many good looking, unattached girls as I did last night in Philadelphia."

"Don't you have them in Arkansas?"
"Well, not so concentrated."

But in class, the bankers work, and work hard. When a visiting priest of finance, such as Leonard P. Ayres or Edwin W. Kemmerer, makes a talk, of an evening, there are quick, incisive questions. Figuratively, he is pounced on from all sides.

From All Over the Country

Brought together are multifarious viewpoints: bankers who are interested in sheep from Montana, or in the wealthy residents of Massachusetts, or cotton plantations of the old South, or the ranches of the Southwest, or the highly industrialized areas of Ohio and Pennsylvania.

All these elements come together and chew their problems over. But instead of the bull sessions of college days, philosophizing over such questions as, "Is there a life after death?", or "Should a man get married?", the cud is: "What's the economic trend in the United States, what are we headed for, and what can we, as bankers, do to improve conditions, social and business?"

Class Mortality Is Low

The test of any institution is what it means to men. Few drop out of G.S.B., and when they do it's because of urgent business or personal reasons. And usually they come back next session. That's been the experience so far, as G.S.B. enters its third year. More than that, each student, from the youngest, 29, to the oldest, 58, thinks it's a grand education. It wouldn't be surprising, in the years to come, if G.S.B., which is the "higher learning" branch of the American Institute of Banking, finds fathers sending their sons to college. In short, there will be a hard-rooting alumni association.

Bank Earnings Up

\$300,000,000 added to earned surplus last year, largely by recoveries on assets.

BANKS did better last year. That was to be expected. But it was not because it was easier to earn money on "other people's money." In fact it was harder. It was simply a case of the banks having more of "other people's money" to work with. That is the highlight of the annual report of the Federal Deposit Insurance Corp.

For every \$100 of assets, banks managed to eke out 90¢ from interest on bonds, dividends on stocks, service and trust fees, and real estate rentals, less expenses. That was only 0.9%. In 1935, the banks did better—92¢ per each \$100. On their invested capital, banks last year made 7.67%, and that also was somewhat less than in 1935.

Where the banks fared best was in

trading profits which "goners." In 1936 net recoveries and actions, when showed a 1934 it was 000,000 in the

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Big banks were more consistent earners than small banks. They did not earn as much per dollar of assets, largely because the interest rates in the large financial centers generally are lower than in rural regions. But, likewise, the record of the large banks was not strewn with deficits. Small banks showed greater variability in net current operating earnings.

A significant statement in the report is that banks with high rates of current operating earnings also showed high rates of profits from recoveries less charge-offs, whereas banks with low rates of current operating earnings showed a correspondingly unsatisfactory "recoveries" performance. In other words, banks that were able to manage their income and expenses were conservative in writing off assets that did not look any too hot. Then, when business picked up, many of the charged-off loans came back.

What the Figures Show

Gross current operating earnings of insured commercial banks amounted to \$1,564,000,000 in 1936. Against that, banks had expenses of \$1,083,000,000, which left net current operating earnings of \$481,000,000. Profits on assets aggregated \$584,000,000, and losses and charge-offs \$540,000,000. Add the difference—\$44,000,000 (less \$2,000,000 of income taxes for banks not members of the Federal Reserve) and the net profit for the year of all FDIC banks came to \$523,000,000. Dividends paid to stockholders, and interest on debentures or capital stock notes, totaled \$223,000,000. So the banks wound up with a \$300,000,000 addition to earned surplus. In 1935, there was no increase in earned surplus, and in 1934 there was a \$527,000,000 decrease.

Building Mechanics Wanted

THE construction industry has several labor worries; advent of new unionism into virgin territories is one of them, jurisdictional disputes and general labor unrest are others. But one which bulks larger, because nobody seems to be doing much about it, is an undeniable shortage of skilled mechanics. Thus reports *Engineering News-Record*, for whom H. W. Richardson has just completed a 5,000-mile swing around the country. The industry, says Mr. Richardson, is facing the worst shortage of skilled labor since the war.

Rug Prices Rise Again

Advances begun last year continue with a recent boost of 5% to 10%, which raises the question of consumer resistance in the coming fall.

THE rug and carpet industry took an awful beating during the depression. When there were few beans in the larder nobody worried about a hole in the living room carpet. Now demand is flourishing and the industry celebrates the opening of the market (Tuesday, July 6) by wholesale price increases that range from 10% down to 5%.

The rise marks another advance in a march that began over a year ago. In May, 1936, prices were tentatively edged forward. The market took it without blinking. Advances followed in July, in the early fall, in the late fall, in anticipation of the spring opening, after the first of this year.

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There is no indication of a slump in demand, but manufacturers and jobbers are a bit jittery about the consumer's attitude toward the present increase. Mail orders have held up well in the face of (perhaps because of) the price additions. But Mrs. Mary K. Consumer remains to be heard from and her voice won't vibrate in much volume until October.

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War preparations played a part in forcing up wool quotations. Our carpet wools are all imported. They come mostly from a cool belt that stretches across central Asia, north India, Mongolia, Manchuria. Formerly much was marketed by Russia but the Soviets now use practically all they produce. Some wools originate in the high altitudes of South America.

The war neurosis has had two effects. It has caused Europeans and Asiatics



IT "OUTGLASSED" THE REST—This glass-walled house won first prize in a recent nationwide competition sponsored by the Pittsburgh Glass Institute for houses costing less than \$12,000. Designed for his own use by H. H. Harris, of Los Angeles, Cal., it has a spacious livingroom-bedroom, a kitchen, and a small bathroom, and is equipped with gas stove, gas furnace, electric refrigerator. Cost is said to be less than \$1,600.

191 Bankers Get Diplomas

Ranging in age from 29 to 58, they're the first graduating class of the Graduate School of Banking, at Rutgers University. Sessions held annually.

THERE was a run on the banks of the Raritan this week. 191 bankers, from all over the United States, caused it. The three dozen cleaning and pressing establishments in New Brunswick, N. J. (pop. 34,555, 1930 Census) were steaming overtime on an assortment of white suits—linen, wool, and cotton.

Doings across the railroad track, which divides the Rutgers University campus from the town, account for such sartorial vehemence. There were graduation exercises. Bankers were to be graduated by the Graduate School of Banking and they were to appear in crisp white to get their diplomas.

Diplomas Handed Out

Tradition was established. Never before had the 39-year-old (average) boys from G.S.B. held graduation exercises. This was the first—the class of '37, Rah! Rah! Rah! With friends and relatives and the lowlier freshmen and juniors foregathered in the huge Rutgers gymnasium, Lewis E. Pierson, chairman of the Irving Trust Co. and chairman of the board of regents of G.S.B., passed out diplomas and certificates. The sheepskins bore a double garniture: the stamp of G.S.B. as well as the stamp of Rutgers University.

The G.S.B. is a bankers' school for bankers—where theoreticians and practical men meet—under the auspices of the American Bankers Association. It is limited to 600 enrollees, and the demand already surpasses supply by a considerable number.

Cars but no Liquor

At a casual glance it looks like a two-weeks' convention; but it is anything but that. Nearly half the students own cars and keep them on the campus—indicative of mature financial stature, despite ivy-walls and campus walks which suggest Joe College. And there is no liquor, nor are there any identification badges (tags) such as are worn at conventions. If one man wants to meet another he goes up to him and says, "I'm Fred B. Buck of the First National Bank of Bakerton, Pa., and I wanted to say that that was a shrewd question you asked at Dr. Burgess' lecture this morning."

All in all, it's a somber and sober atmosphere. The men are there for two weeks during three successive summers and either they personally, or their banks, are paying \$150 for the privilege. More, between annual sessions they are doing work at "home," in special problems arranged by a faculty which is deliberately made up of both practical

bankers (men in banking) and academicians (teachers of banking).

Each student is required to select a major and a minor subject among banking, trusts, or investments; all are required to take courses in banking law and economics. The two weeks of resident session (and everyone must live on the campus, even New Brunswick "boys") are devoted exclusively to lectures, conferences, and quizzes. Homework literally is homework.



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But in class, the bankers work, and work hard. When a visiting priest of finance, such as Leonard P. Ayres or Edwin W. Kemmerer, makes a talk, of an evening, there are quick, incisive questions. Figuratively, he is pounced on from all sides.

From All Over the Country

Brought together are multifarious viewpoints: bankers who are interested in sheep from Montana, or in the wealthy residents of Massachusetts, or cotton plantations of the old South, or the ranches of the Southwest, or the highly industrialized areas of Ohio and Pennsylvania.

All these elements come together and chew their problems over. But instead of the bull sessions of college days, philosophizing over such questions as, "Is there a life after death?", or "Should a man get married?", the cud is: "What's the economic trend in the United States, what are we headed for, and what can we, as bankers, do to improve conditions, social and business?"

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to work carpet wools into blankets and overcoats for fighting men. It has also caused American carpet executives to toss and moan in their sleep over supplies. They buy about 18 months ahead. At the present near-capacity production, a whale of a lot of wool is used. If a sudden outburst in the Mediterranean cut the Suez trade route, shipments from Bombay and Shanghai might be held up. Without this wool American mills couldn't run very long at the present tempo.

Buying Ups Wool Prices

These considerations stimulated American buying for stock and sent carpet wool prices skyward. As an example, one type of Argentine wool rose from 24¢ per lb. to 45¢ in the year to May 1.

Carpet manufacturers are doing right well on the present buying surge which they hope will continue strong enough to absorb the new quotations. They are further heartened by the turn to quality. For five long years one question tolled in the ears of retail rug salesmen, "Show me the cheapest thing you have." Now it's, "I don't want a cheap carpet." During the slump the industry practically lived on the 9x12 axminster which sold wholesale down to \$14.75.

Rise Will be General

Companies that have announced rises represent about 50% of total production. That the rest will fall into line is a foregone conclusion. The Big Three in the carpet industry are Mohawk, Smith & Sons, Bigelow-Sanford. Another large producer, Charles P. Cochran Co., was a leader in the price advance. Companies which have announced they will go along include Bigelow-Sanford; Smith; Hardwick & McGee; M. J. Whittall Association, Ltd.; C. H. Masland & Sons. General acceptance of the rise by other companies is expected at next week's market opening.

Shot in the Arm

The rug and carpet business is inhabited largely by Scots, and is apt therefore to be secretive and extra canny. Usually new prices are unveiled at the regular market opening. Hence the before-time announcement of rises (many of which become effective July 19) violates tradition. Some believe this was done to stimulate orders during the dull June-July interlude. After the July showings, production speeds up for the October demand which is the largest of the year because womenfolk spruce up their homes when they indulge in fall cleaning. The other buying bulge comes from the farm areas in the spring (maybe at the time farmers borrow money for planting).

Best grades are in strong demand. A special order for a chenille rug received

by one mill recently read: "Buyer says she will not pay over \$200 a square yard."

Promotion and better styling have done wonders for the industry. Solid all-over carpetings are still going well. Rugs must fit room sizes better, leaving less floor margin. Orientals and Chinese have slumped off. There is increasing interest in "textures." These are weaves and designs that simulate other cloths, go well with upholstery, curtains, and wall paper, and complement almost any style of furnishings. They have no borders, and are of simplified designs which agree with modern furniture but eschew the mad gyrations of the first experiments. Highly colored nosegays, vegetables, goofy-looking animals are definitely out.

New Chicago Hotel

It's named the "Hotel Chicagoan," and it's a split-off section of the Morrison.

In Chicago last week a firm of builders and a new hotel company finished splitting a hotel into two parts. More accurately, perhaps, they split off one of five sections of a big hotel building, and made a new hotel out of it. The split-off section, the newest of five sections of the Morrison Hotel building, became the new Hotel Chicagoan. It is operated by the newly created Savoy Hotel Corp., headed by John J. Mack, president, who also heads up the Trionne Hotel Co., which operates 12 outlying hotels in Chicago and two other hosteries in Waukegan, Ill., and Hollywood, Fla.

Behind the split-up, lies the story of the ambitious building program of the Moir Hotel Co., which owned and operated the Morrison, now in the hands of trustees. With a good-sized, three-section plant to start with, the company built its Tower back in 1925. The hotel was riding on a wave of success, and in 1929 the company laid plans for construction of the fifth and newest section—now the Hotel Chicagoan. Before the section's completion in 1930, however, Wall Street "laid an egg." The company ran smack into financing difficulties, and ownership reverted to the John Griffiths & Son Co., builders. The section was never permanently equipped as a part of the Morrison room-plant, though the Morrison used part of it to accommodate overflow crowds during A Century of Progress Exposition.

The Savoy Hotel Corp. says it has spent \$400,000 for new construction and furnishings of the Chicagoan. The new hotel will probably do the Morrison as much good as harm—and quite possibly more. One hotel usually helps another so long as the cluster doesn't grow too large.

New Products—

New processes and new designs; new applications of old materials and ideas.

INSTEAD of the usual wood or plastic cabinet, the new "Tex-Tone" radio comes in both console and table models with fabric coverings similar in texture to those used for furniture and draperies. According to the maker, Tex-Tone Radio & Television Co., Peterborough, N. H., the fabric, which also envelops the wooden sound chamber, functions both as decoration and, more importantly, as a sound filter, whereby harshness of tone is eliminated and reception clarified.

REFLECTING rapidly changing merchandising theories in the semi-capital goods field, new cabinet-type lubricating units, styled by Harold Van Doren, industrial designer, Toledo, are coming from the production lines of Aro Equipment Corp., Bryan, O. Broad expanses of



Business Week

glossy white enamel set off by red decorative bands are calculated to perform the two-fold function of arresting the motorist's attention and of enhancing the service man's pride in his equipment.

IMPOSSIBLE as it may seem to develop brand new uses for Cellophane, E. I. DuPont de Nemours & Co., Wilmington, Del., reports that its versatile material is being used successfully in the restoration of damaged or completely absent ear drums. The film used to take the place of the natural eardrum is only

0.00088 in. considerably thinner than cellophane is found to protect the white side walls of the Cannon Silk Mill, particularly in the spinning process, may be slipping.

ONE of the most important treatments is the marking of the heat required for Fourth Avenue's new "make such metals that the rigors of hot cooling unsatisfactory.

DEVELOPED home kitchen laboratory "Vent-O-Lite" Corp., 168 W. 45th St., N. Y. A unit providing illumination, switches, the light which extends from ceiling or

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0.00088 in. thick. Another use for a considerably heavier grade of Cellophane is found in spiral wrapping to protect the whiteness of Seiberling white sidewall tires. Still another of particular interest to one's secretary is Cannon Silk hosiery packaged so compactly in Cellophane that a spare pair may be slipped into a handbag.

ONE of the problems incident to heat treating is to preserve identification markings through the intense white heats required. Swan Pencil Co., 221 Fourth Ave., New York, announces that its new "Stabilo Silver" pencil will make such permanent markings on metals that they will come through the rigors of heat treatment and subsequent cooling unscathed.

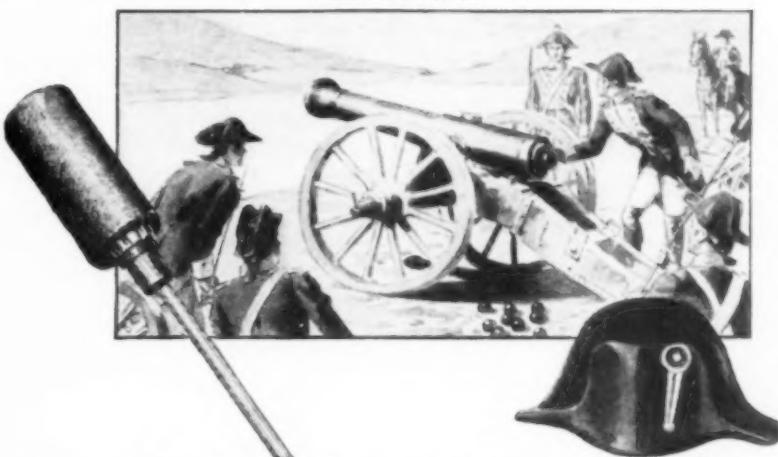
DEVELOPED for use in the modern home kitchen, but having numerous laboratory and business applications, "Vent-O-Lite" comes from Vent-O-Lite Corp., 168-20 Jamaica Ave., Jamaica, N. Y. As its name implies, the new unit provides both ventilation and illumination, controlled by separate electric switches. Prismatic glass panels spread the light yet hide the fan assembly, which exhausts through ducts in the ceiling or walls.

"RESEARCH PAPER 994" of the United States Bureau of Standards, obtainable through the Superintendent of Documents, Washington, D. C., reveals an effective non-destructive method for measuring the thickness of nickel coatings on non-ferrous metals. A small spring balance measures the force of attraction between the nickel plating and a small magnet. A dial, standardized against a similar nickel plating of known thickness, reveals the thickness of the sample.

As photolithographic reproductions of typewritten copy have come more and more into the business picture, Ozalid Corp., 354 Fourth Ave., New York, has sensed the demand for clearer reproduction copy. Result is the new Ozalid opaque typewriter ribbon. Master copies of bills of material typed therewith for blueprinting need no carbon backing, yet give legible reproductions quickly.

IT WOULD be hard to find two functions more diverse than ageing rum and irradiating milk, yet both are being accomplished by a new ultra-violet lamp developed by Hygrade Sylvania Corp., Salem, Mass. Rum exposed to ultra-violet rays for just 15 seconds is said to take on qualities normally produced only through several years of ageing; milk takes on its quota of vitamin D. The lamp will also prevent meat from molding and will kill air-borne bacteria in hospital operating rooms.

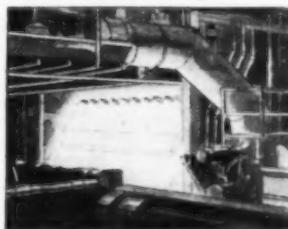
PRODUCTS OF SPECIALISTS HAVE ALWAYS BEEN PREFERRED



ORDNANCE FROM LIÉGE FOR THE LITTLE CORPORAL

• Napoleon knew that superior equipment was important to the success of his armies. And as a competent judge of artillery he recognized the advantages to be derived from securing his cannons from Liège. The craftsmen of Liège had specialized in the manufacture of arms. In producing the weapons, for which they were famous, they selected and used only the materials which were best adapted for their equipment—most suitable for their products. By satisfying the demands of the little corporal, these specialists demonstrated their understanding of the characteristics necessary to meet the user's specific needs.

Acme specializes in the production of "rolled-for-the-product" strip steel and is, today, helping many manufacturers win industrial victories with improved products made more economically. Acme Superstrip is produced by craftsmen whose thorough understanding of the fabricators' individual needs enables them to roll a SUPERSTRIP which will best meet each forming, shaping or drawing requirement—and which will provide faster, better production without interruption. Yet ACME SUPERSTRIP COSTS NO MORE THAN ORDINARY STRIP STEELS. Let an Acme Engineer analyze your product in relation to your equipment. He may be able to make profitable suggestions. There is no obligation. Write for complete information today.



Slabs in the Acme mill ready to be hot rolled into Acme Superstrip

Acme Superstrip

COLORED • STAINLESS
STRIPED



HOT ROLLED • COLD ROLLED
GALVANIZED

ACME STEEL COMPANY
GENERAL OFFICES: 2828 ARCHER AVENUE, CHICAGO, ILLINOIS
Branches and Sales Offices in Principal Cities

Flee Dust Bowl for California

30,000 immigrants come from drouth states, many of them lured by glowing ads. They provide cheap farm labor but also add to the relief burden.

CALIFORNIA business men are watching with mixed emotions the current influx of families from the Dust Bowl which, since Jan. 1, has brought more than 30,000 persons into the state, particularly into the great San Joaquin Valley, stretching from Stockton on the north to Bakersfield on the south.

The movement now under way is one of the greatest interstate migrations since the gold rush, and business leaders are studying its possible results on trade, the farm labor set-up, increased relief costs, and added taxes in the towns and counties concerned.

Over the main highways leading into southern California from Oklahoma, Texas, Arizona, and Arkansas, a steady stream of vehicles, mostly in a condition immediately preceding complete collapse, moves westward. The influx is now averaging one immigrant outfit every ten minutes, and the trek has only begun.

Official figures issued by the state are available only to Apr. 1, but in the three months beginning Jan. 1, the actual count of persons entering California from the "drouth states" was 16,772. In January, 4,458 entered; in February, 5,251; in March, 7,061. Estimated influx for April was 9,000, bringing the total to 25,000 by May 1. The first two weeks of June added at least another 5,000, according to competent observers.

Come With Families

Business men emphasize two features: (1) the increasing crescendo of the flood, month by month; (2) the fact that the people are arriving in families. It is not a hobo movement. During the first three months of the year, 13,776 of the 16,772 immigrants came in families. Only 162, incidentally, were colored, and the Mexican contingent was negligible.

Most of the flood is from Oklahoma, but Texas, Arizona, and Arkansas are contributing their quotas (in that order). Many of the newcomers are competent farmers who have lost out in the drouth and are seeking greener fields in California. They're eager to work for wages on the farms, to save what they can, and eventually buy land of their own. They're decidedly in the minority. The rank and file are out to seek their fortunes in a land where, so they have been told, living is easier. The relief office is the objective of many of these, and relief costs, especially in the San Joaquin counties, are rising.

Business men, aware that conditions on the farms in California are vital to their prosperity, watch closely the results of the influx on agricultural labor. San Joaquin Valley farms, many of which are operated by large corporations, normally provide work for about 35,000 persons during a large part of the year, principally in cotton (half a million acres will be harvested this season), grapes, fruit, sugar beets, potatoes, and cattle. Farmers have always relied on the army of migratory workers, mostly Mexicans, who have "followed the crops" from the Imperial Valley up through the San Joaquin.

Mexicans Stay South

Lately, general relief conditions have encouraged these workers to remain in one locality (or so the farmers contend) and the wholesale deportations of Mexicans to their homeland a year or so ago have discouraged immigration northward across the Rio Grande. Most Mexican labor is said to be concentrated now in the Imperial Valley and the citrus regions around Los Angeles.

So when the Dust Bowl people show up at the San Joaquin farmer's door asking for work, they're usually welcome, especially as heretofore employers have had to transport most of their laborers to the fields. Experience has shown, too, that most of the newcomers won't have anything to do with farm labor organizers for a time, at least, and this condition may

tend to relieve the pressure of the agricultural unions on California farmers during this harvest season.

Prime factor in the orderly assimilation of as many of the immigrants as are willing to work is the Agricultural Labor Bureau of the San Joaquin Valley, at Fresno, whose manager, F. J. Palomares, receives hourly notice of farmers' labor requirements and coordinates them with the steady stream of outfits that pull up at his door. The Associated Farmers, state-wide farmer organization, also keeps a watchful eye on the unprecedented trek.

Sales—But How Healthy?

The addition of so great an army of immigrants to the farm areas is stimulating certain lines of retail business in the string of towns running down the center of the San Joaquin Valley—Fresno, Bakersfield, Merced, Madera, Modesto. The newcomers must eat. They must buy a certain amount of clothing (shelter, water, and wood are furnished by employers to those who work on the farms). The wages these people receive are providing many of them with the first real cash they've had in months, and they're eager to buy. Observers point out that much of this buying is not "healthy," that wages are going for down payments on radios, automobiles, cheap jewelry, rather than for necessities.

On the other side of the picture, Mr. John Citizen, of the San Joaquin Valley, when questioned on the unprecedented immigration, throws up his hands. For every worker that presents himself at the farmer's door asking for a job, another goes on relief with his entire family. In Kern County (Bakersfield), there are 3,000 persons on the relief rolls. During the first three days of the 1937 potato harvest, a call



SPLITTING SAND-HILLS WIDE OPEN—In cutting across a wide range of sand-swept dunes in southern California, engineers have finished one of the hardest jobs in the construction of the All-American Canal, destined to serve the Imperial Valley with water from the Colorado River. Work on the canal is under the direction of the U.S. Bureau of Reclamation.

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was issued for 500 men, but not one responded. Relief conditions in the other counties in the valley are similar.

Burden on Schools

County hospitals are crowded with free patients, many of them maternity cases, neatly timed for arrival in California at the crucial moment. Schools are overwhelmed with new pupils.

Commenting on the great trek, the Pacific Rural Press throws in this significant suggestion: "We are witnessing drama and tragedy—tragedy both for the poor people who come here and for those who live here. A social worker asked one man why he had come to California. He pulled two newspaper clippings from his pocket, one from an Oklahoma paper and another from Texas. In them were unsigned advertisements painting in glowing terms the wonderful opportunities to be found in California. Are certain interests exploiting these people as ruthlessly as the steamship companies did during the days of the great immigrations from southern Europe two or three decades ago? Is there any doubt of it?"

Tea Upturn

New and better-financed bureau intensifies the drive for more American consumers.

GROWERS of black tea have long been dreaming of what the American market might become if English enthusiasm for the beverage could be transplanted.

On Jan. 1, 1936, growers of India, Ceylon, Java, Sumatra launched the Tea Market Expansion Bureau with a test budget for the year of \$500,000. Results were so encouraging that the appropriation was hiked to \$1,000,000 for this year. The name was changed to The Tea Bureau of the United States. Americans were given complete charge. In addition to headquarters at New York, an office was opened in Philadelphia and a third will be located at a point yet to be named. Advertising coverage has been extended to include 10 states (N.Y., N.J., Ohio, Mich., Pa., Va., W. Va., Md., Del., Ind.).

Sales Trends Up

This week camera and publicity releases celebrated the induction into office of Benjamin Wood as managing director. Mr. Wood was formerly field promotion chief for *Good Housekeeping* magazine. In honor of the occasion, Mr. Wood's health was drunk in \$180-per-pound tea.

Sales point upwards. Imports of black tea for the first five months of this year were 32,049,143 lb., an increase of 4,699,227 over the same period of 1936. Black tea is 70% to 80% of the total.



AC and DC

\$15

Every boy's father (and mother) should know this

Start your boy shaving with a Schick Shaver. It will clean off the first tender down and, though he grows up to have the toughest beard, he will always shave quickly and closely.

His skin will never become calloused with the scar-tissue that inevitably follows blade-shaving. Never will he cut, nick or scrape his face, for there are *no blades* in the Schick Shaver. No moving part touches the skin.

The gentle, massaging action of the Schick induces the flow of blood to the skin, helping it to keep healthy and reducing the danger of infection to a minimum.

It will cost him less to shave

We do not know any cheaper way to shave through the years than with the Schick Shaver. (Schick Shavers made five years ago have been used every day and are still shaving perfectly.)

There are no blades to buy, to sharpen or replace—no brush, soap, cream, powder or lotions.

The Schick Shaver can be used in total darkness, by invalids in bed, in rough weather at sea and under many conditions that would make it impossible to use a razor.

Buy one for your boy and yourself

Go to an authorized Schick dealer. Ask him to demonstrate the shaver to you and explain why your boy can shave well the first day but it may take you a little longer to get *your* face in condition for a very close and quick shave.

SCHICK DRY SHAVER, INC., STAMFORD, CONN. Western Distributor:
Edises, Inc., San Francisco. In Canada: Henry Birks & Sons, Ltd., and other leading stores

SCHICK SHAVER



International

TELLING THE PRESS—AND THE WORLD—Camille Chautemps informs reporters he has agreed to form a cabinet to succeed Leon Blum's government, in control for over a year. Four o'clock in the morning of June 30, the new ministry obtained from the Chamber of Deputies full powers until Aug. 31 to deal with the French financial situation, which had occasioned Mr. Blum's overthrow.

Where Money Mess Puts France

New devaluation of franc is forced by necessity of raising ready cash. Later, a middle-of-the-road policy may calm capital and entice funds back.

FOR the second time in less than a year, France this week was off the gold standard. Bullion was under an embargo; commodity and stock exchanges suspended under closing decrees; police shooed brokers off the curb market when they tried to negotiate deals in securities for completion in London.

It happened late at night. Georges Bonnet, finance minister in the breaching Chautemps cabinet, disembarked from the *Queen Mary*, rushed to Paris by special train, conferred at length with the premier, and on Tuesday financial France was in a state of suspended animation.

What Bonnet Faced

The Chamber of Deputies and the Senate were faced with accomplished facts. Only the most urgent commercial needs for foreign exchange were met. Tourists could get francs, but changing francs into pounds or dollars was something else again. Proof of departure from France was necessary.

The tripartite monetary agreement was reaffirmed. The British and American stabilization funds were standing by, but their third playmate—France—was forced out on the sidelines. The chief blessing was that Frenchmen, at least for the time being, could not expatriate their capital; and therefore the tumultuous flow of the metal from France temporarily would cease. To that extent,

America and Britain were relieved of the gold burden.

Britain knew it was coming. Sir John Simon, chancellor of the exchequer, had gone to the House of Commons for enlargement of the Exchange Equalization Account from \$1,750,000,000 to \$2,750,000,000. Gold-buying and support of the franc had exhausted the huge fund's resources.

Continued flight of capital from France was basic cause of the French action. Chautemps went to the legislature for autocratic financial control to (1) balance the budget; (2) defend the franc against speculation and capital expatriation; (3) restore cash and solvency to the Treasury, and (4) stimulate economic recovery.

The franc will be devalued. That is definite. Possibly to the old parity with the dollar at 3.92¢. In which case the relationships of major world currencies would be back where they were in 1929 (*BW*—May 15 '37, p59).

Back of the franc trouble is the French budget (*BW*—June 26 '37, p52), which has been a political stumbling block ever since the Hoover moratorium in 1931. Inability to cut expenses to fit taxes, during a succession of compromise middle-left-wing governments, scared capital. But up to 1934, the unsettled elsewhere—in the United States and Great Britain particularly—

made France a good haven for funds. Then, when recovery progressed in other countries and France fell behind the procession, gold moved away. In September, when the franc was off from 6.6¢ to a range of 4.3¢ to 4.9¢, a \$500,000,000 stabilization fund was established. That is gone.

Had to Replenish Till

Worse yet, the Treasury is bare. Special borrowings were necessary for month-end commitments. Devaluation became not only a measure to protect the franc, but also a debasing device to replenish the empty till. A 20% devaluation from the 4.9¢ upper limit to 3.92¢ (which would only be an actual cut of 11% from the recent foreign exchange price of the franc) would create a gold profit of 11,472,000,000 francs, or about \$550,000,000. That, in American terms of speaking in billions, is not large. But to France, with its 40,000,000 population and agricultural mode of life, it is a large sum.

Different then will be the franc devaluation from that of September last year, when the purpose was to bring the currency in line with other currencies. Different also is it from the gold-quitting of Great Britain in September, 1931, or the United States in 1933. Britain took the jump because it had little or no gold with which to defend the pound. The United States abandoned the \$20.67 price for an ounce of gold because it was economically expedient; it was part of the Roosevelt inflation program. But France has left because the budget has made it exigent. It is one way by which the country can raise cash, because the securities markets have failed. Internal loans just do not go.

Will Call France Home

When France resumes normal operations, undoubtedly there will be an open invitation to capital to return. There will be no attempt, by expropriation, to chop off the profit of repatriated funds. And if the government can convince wealthy conservatives that its policy will be middle of the road, there will be an incentive for the wandering francs to return. In which case the flow of gold to Great Britain and the United States will cease, and France's \$2,200,000,000 hoard will start growing again.

World securities markets were numb to the second French suspension of gold payments. The London market sold off a bit, but there was no hectic liquidation. American stocks moved apathetically higher.

The moral of the episode is: Stabilization funds are not almighty. They can regulate and ease day-to-day foreign exchange fluctuations, but they cannot stop a mighty tide of capital movement. When capital wants to flee, it flees.

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Coast Ship Men Unite

Waterfront employers in Pacific harbors form organization to deal with labor.

ORGANIZATION of the shipping interests on the Pacific Coast into a unit, concentrating all labor relations with employees into a single agency, is one of two significant developments currently regarded by Pacific Coast business as likely to promote peace on the waterfront from Mexico to Canada. The other is the probable settlement of a troublesome dispute over the size of longshoremen's sling loads, which has long caused friction.

Members of the International Longshoremen's Association are voting in all Coast ports on acceptance of a "sling load agreement" recently negotiated. As Harry Bridges, longshore executive, advises acceptance, a favorable vote is expected.

The new shipping group, the Waterfront Employers' Association of the Pacific Coast, enables employers of waterfront labor, for the first time, to handle labor problems as a unit. Heretofore an emergency organization has had to be formed as each crisis arose. Association membership includes the local organizations of each Coast port.

Headed Up in San Francisco

Headquarters will be in San Francisco, and Almon E. Roth, who became president of the Waterfront Employers' Association of San Francisco following the strike last winter, will hold the same position in the coastwide organization. He will have K. J. Middleton, of Seattle, and Lloyd Swayne, of San Francisco, as vice-presidents, and affairs of the group will be handled by a 17-man board of directors.

Probability of settling the "sling load" issue on a coastwide basis is a source of satisfaction to shippers, both on the Pacific Coast and elsewhere. When the longshore boss ordered his gang to lift five bales to a sling load, and his men slung four bales, the result, any time during the last few years, might be a "quickie" strike, if the boss didn't back down. Essentially, it's been a conflict over the speed at which ships are loaded and unloaded. Longshoremen have claimed that bosses compete "to get out work."

Approve British Tax

Business community offers no objection to Chamberlain's substitute for earlier plan.

BRITISH business has won its battle with the treasury department.

Instead of a complicated "growth of profits" tax to help finance the British

£1,500,000,000 rearmament program and at the same time to prevent excessive profiteering on war orders, British manufacturers are going to pay a straight new surtax of 5% on all profits for the next five years, if the revised emergency tax bill is accepted by Parliament. Lack of public opposition to the new measure is taken to mean that it is almost certain to pass.

One of the last major official acts of Neville Chamberlain as chancellor of the exchequer was to introduce the British budget for the coming year. In it he included what has since proved to be one of the most unpopular tax measures introduced in England for a long time. It provided for a graduated tax on increased profits over the average for the years 1933-34-35. Under that plan, profits which exceeded 15% of capitalization were to be taxed at 33 1/3%.

Overwhelming Protest

One of the first official acts of Neville Chamberlain as Prime Minister was to withdraw his obnoxious tax bill at the insistence of political as well as business leaders throughout England.

The new proposal is as simple as the first was complicated. It provides a straight 5% corporation tax on profits (4% on profits from partnerships). It is to be applicable for five years, the period covered in the British five-year rearmament program. It exempts from

the tax all businesses showing profits of £2,000 or less; also lawyers, doctors, and accountants, along with utility companies (whose rates are already fixed by the government). It does not exempt British-owned companies operating abroad, or cooperative societies.

The amount of the tax is an allowable charge in computing the normal income tax.

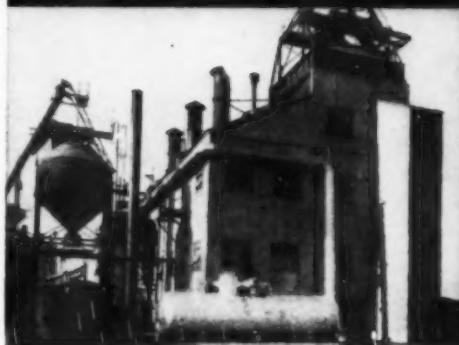
More Money, Less Kick

Though the yield from the revised tax is expected to be considerably larger than was generally expected from the first plan, business reaction is much better. Where the old tax was expected to produce only about £2,000,000 in revenue the first year, the exchequer estimates the yield from the new tax at £25,000,000.

Most bitter objection to the original tax was that it placed an unfair burden on new industries, or on those which suffered worst during the depression, for with a basis for profits the average of the years 1933-34-35, such industries as steel and aviation would now show tremendous profits gains. And "recovery" industries, whether or not they are benefiting directly from the rearmament program, are bound to show much larger profits than during their struggling formative years which happen to be the years on which the tax was to be based.

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NEW INDIANAPOLIS GAS PLANT IS ANOTHER OUTSTANDING ACHIEVEMENT BY KOPPERS—
 Modern in every respect, and capacitated to handle any possible emergency, the new gas plant recently completed by Koppers for the Citizens Gas and Coke Utility, Indianapolis, has won wide acclaim for its extreme flexibility in producing the various B.T.U. values desired. Among its distinctive features are the 11'0" diameter water gas sets designed and manufactured by Western Gas Division of Koppers Company. These are equipped with WESTERN "ABC" Self-clinkering Generator Grates, which permit continuous operation in excess of 23 hours per day, and give increased capacity with lowered costs for fuel and labor.

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Business Abroad

French crisis is bound for settlement without widespread world repercussions. Germany restates colonial claims before International Chamber but courts Britain's goodwill. Export-Import Bank will encourage new business with China.

IN spite of the severe tensions over Spain and the apparent weakness of France and the Soviet Union, there are no news signs this week indicating that trouble will break loose in Europe in the near future. The French crisis is being handled more or less as *Business Week* predicted last week that it would be (*BW*—Jun 26 '37, p52). Most Soviet production figures belie the gloomy stories now coming out of Russia. London and Berlin are still working feverishly to come to some understanding, and conversations are continuing between Paris and Berlin in an effort to come to a closer understanding on both trade and possible curtailment of arms. In spite of the affront to Britain last week in holding up the official visit to London of the German foreign minister, Anglo-German relations are now more cordial, and Italo-German less intimate, than daily reports imply.

France

Country calmly awaits new economy program. Repercussions abroad are likely to be small.

PARIS (Wireless)—France has remained calm throughout the political and financial crisis. It is generally expected that the decree powers granted to the government will result in some tariff increases, but mainly the effort to balance the budget will be made through the increase of taxes and curtailing of government expenditures. There will undoubtedly be a demand for further borrowing facilities by the treasury with the Bank of France.

Except for the possible tariff increase, French developments are not expected to have any serious repercussions on American business. A cheaper franc will benefit tourists, though this may be partially counteracted by higher rail rates. Tourists continue to flock into Paris both from abroad and from the provinces.

Soviet Union

Storm over Russia is largely local. Wave of drastic self-criticism hides continuing good production records in most lines.

MOSCOW (Cable)—Soviet Russia continues its tradition as a land of strange contrasts.

Front page dispatches from Moscow tell a lurid tale of spying, wrecking, and

sabotage in Soviet industry, and anywhere else this might be taken as signs of industrial and governmental disorganization. But these storms seem to create only surface ripples in Soviet life.

Unbiased observers are compelled to see the truth in the Bolshevik explanation that the rottenness is confined to a small minority of big shots, while the unperturbed masses calmly continue "to build socialism."

Superficial observers saw a catastrophe looming when early this year the government raised an alarm over the lag in spring sowing. The cleanup of wreckers and the "shot in the arm" for slack agricultural leadership quickly turned

the scales, resulting in record sowing. Despite early "alarming" reports of sabotage in the preparation of agriculture machinery, Soviet experts are now predicting the highest grain harvest in the history of Russia, exceeding the planned 120,000,000 tons.

The Kremlin is now turning its heavy guns on light industry, with the official press ranting over a "dangerously threatening lag." *Izvestia* echoes the workers' criticism of Commissar Lubimov for neglecting the Stakhanov movement and for not liquidating the sequels to the wrecking which appears to have been extensive in light industry. But here too, an observer must take with a grain of salt this official alarm. How else can one explain the fact that for the first time in years in view of the evident progress of light industry, Kremlin authorities have decreed price slashes in May and June alone amounting to an average of 10% on important manufactured articles for general consumption.

Great Britain

Manufacturers protest high import duty on steel during current shortage. French crisis is watched calmly.

LONDON (Cable)—The inability of the British steel industry to meet do-



INTERNATIONAL
FASCIST SALUTE IN BILBAO—Italian- and German-supported rebel forces of General Franco entering Bilbao received the fascist salute. Further victories for the rebels can be expected if Germany carries out the threat which Hitler voiced in a recent speech: "Germany is through with collective security and will take direct action in any future Spanish crisis. . . . Germany wants a rebel victory in Spain so she may obtain greatly-needed ores." The Spanish rebels are popularly believed to have made promises of concessions to both Rome and Berlin for military support and for supplies during most of the 11 months since fighting commenced. Large quantities of Spanish ores have already been delivered to Italy and Germany.

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Wide World

Honored in Berlin

Thomas J. Watson, president of International Business Machines and recent head of the American section of the International Chamber of Commerce, was chosen by that body at its Berlin congress last week to serve as its president for the next two years. As the head of the International Chamber, he will preside at the next congress which is to be held in Tokyo in 1939.

With F. H. Fentener van Vlissingen, of The Netherlands, retiring president, Mr. Watson received from Chancellor Hitler the decoration of the Order of the German Eagle, recently created for distinguished foreigners.

nestic demands, and the recent price rises on all steel lines have started a fresh wave of protest against the duty on imported steel products. When Britain imposed duties a few years ago, the object was to protect a domestic industry which had promised to rationalize if given this security. Business recovery and the armament boom have changed the picture. The industry is unable to meet home demand, and most outside industries are so solidly booked there is little fear that the market would be flooded with imports if duties were lowered.

The British automobile industry is protesting most loudly. With government business having the right-of-way, the steadily expanding motor industry is finding it increasingly difficult to secure steady delivery of steel in sufficient quantities to assure continued production on an ascending spiral.

Some duty adjustment on steel imports is expected. It may even come ahead of any Anglo-American trade pact which may be signed in the future.

The French financial crisis has had no serious affect on markets. But the fact that it coincided with the latest crisis in Spain and that it indicates internal weakness in France at a time when a

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HOTEL **Mayfair**
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air-conditioned ROOMS

"LOOK BILL! THAT'S A SIGN WE'RE GOING TO HAVE A PLEASANT STAY IN ST. LOUIS."

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Howell, Michigan
REPRESENTATIVES IN
ALL PRINCIPAL CITIES

HOWELL Red Band MOTORS

strong Franco-British front is badly needed, has made British trading sluggish.

In the discussion over increasing railroad rates, the National Gas Council informed railway executives that any rate increase which would affect their coal costs might result in the burning of coal for fuel at the pitheads and distribution of gas through long-distance pipelines.

Railroads are benefiting from the mounting volume of travel this year. The influx of foreigners is large, but the local population is beginning now to get away for summer vacations and it seems likely from early indications that travel volume will set a record.

Distribution experts have set about interpreting figures revealed this week showing that during the first quarter of this year there were more marriages and fewer births than in any comparable quarter in the last 10 years.

Canada

Distant threat of mining strikes overhangs Toronto markets. New fuel may boost coal production.

OTTAWA — Canadian airplane and transport interests apparently lack enthusiasm for government-controlled air transport. Transport Minister C. D. Howe hoped those interests would subscribe 49% of the \$5,000,000 capital stock of his Trans-Canada Airways, Limited (majority control of which he turned over to Canadian National Railways), but he found no takers. CNR will have to find all the capital itself.

Montreal and Toronto produce almost daily rumors about future relations of Ontario Hydro and Beauharnois Power. When Beauharnois won a new court decision recently against the Ontario law voiding its contract for power delivery to Hydro, Premier Hepburn immediately brought into force recently passed legislation holding the Hydro property immune from seizure for satisfaction of any judgment against the government-owned electricity system and from court costs in appeals to higher courts. The Hydro then took steps towards appeal. Several times Hepburn has asserted there will be no new contract with Beauharnois. In spite of this, reports persist of the likelihood of such a development and with them Beauharnois securities move up on the markets. The three other Quebec power companies whose contracts with Hydro were voided were given new contracts after court decisions.

Montreal Tramways has conceded wage increases amounting to \$400,000 annually and a profit-sharing agreement

to its employees. Immediate increases of 4 cents an hour, and 10% for employees on a monthly basis earning under \$250, marks the restoration of 1933 cuts. Profit sharing commences after gross earnings reach 5% over \$13,000,000 for the year ending June 30. Employees will receive 25% of excess.

Dominion Steel and Coal Co. has announced wage restorations totaling

Chinese Orders

The Export-Import Bank is beginning to cooperate actively in the financing of new industrial business with China, as a direct result of the recent visit to China of Warren L. Pierson, president of the bank.

The Chinese Ministry of Railways has placed orders for 20 American locomotives, 10 to be supplied by the Baldwin and 10 by the American Locomotive Works. The Export-Import Bank is guaranteeing half of the loan covering the cost, placed at \$1,500,000, which will be repaid over five years.

China is just beginning a five-year program of economic development which includes huge industrial projects, some of which are already being equipped by British and German manufacturers. Japan has received little of this business, but is equipping its own branch textile and flour mills in northern China which is now definitely accepted as Japan's sphere of economic influence. The recent Pierson visit is expected to develop some of this new industrial business for the United States, with the support of the Export-Import Bank in handling the financing.

\$600,000. It operates mainly in the Maritime provinces.

Under Canada's Farm Creditors' Arrangement Act, 27,000 applications for debt adjustment have been made since 1934, and 22,000 dealt with. Mortgage debt involved exceeded \$130,000,000, and has been reduced \$35,000,000 with annual interest reduction of \$4,000,000. The act was intended mainly to relieve western drought region farmers, but the majority of cases have developed from eastern provinces and from the more prosperous western areas. In dry territory, there has been little basis of settlement.

Possible important benefit to Canadian interests, particularly coal mining, is seen in reports from the United Kingdom of the successful conclusion of 5-year tests of the new power-producing fuel, colloidal, composed of 60% crude petroleum and 40% pulverized coal. Tests on two Cunard ships demonstrate the suitability of this fuel and its probable adoption by the British navy. It has been proved in several

experimental installations in the United States to be highly efficient, is cheaper. In Canada, it is seen as possible new outlet for Canadian coal. Canada imported last year 23 billion gallons of petroleum, and produced only 1½ million barrels. However, the Dominion has large resources of bituminous coal.

Dominion stock markets are likely to be soggy during the next few months because of the fear that labor trouble will break out in the mining districts. Labor moves in the Timmins and Hollinger mining districts are being watched as a key to developments in the province as a whole.

On the other hand, a delegation from the Mining Corp. (of London) is expected in Canada this week, and it is expected they are prepared to make large investments in Canada. Special interest attaches to this news, because influential leaders just returning from London declare that Neville Chamberlain is determined to support the present price of gold at all costs.

Germany

Berlin plays host to International Chamber congress; watches French developments calmly.

BERLIN (Cable) — Though German speeches at the opening of the International Chamber of Commerce congress restated the colonial ambitions of the Reich, it is obvious to Germans and foreigners alike in Berlin that the government is anxious to present to foreigners a full picture of the exact aims of the four-year plan, and to make it plain to them that it does not mean necessarily that Germany intends to pursue a course of isolation. Whatever the plan can do to force a fairer and freer distribution of the world's raw materials will be counted a victory for the Nazi planners.

The various French crises of the last few weeks and the prospect of further franc devaluation are expected here temporarily to retard world recovery, but the best local opinion is that the long-range implication is possibly favorable, for if France is determined to abandon the "communistic illusions" of the Blum program, and buckle down to the responsibility of putting public finances on a really sound basis, it is all for the good.

Foreigners in Berlin this week were offered an object lesson indicating the insignificance to which German stock markets have shrunk in the last few years. The Berlin Bourse closed one day to allow for decorations for a reception held there in the evening, an occurrence certainly unthinkable in other major exchanges in Europe or America.

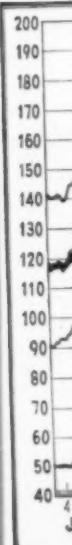
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Money and the Markets

Boom in wheat means money to the Middle West and it lifts other commodity prices. Security markets continue gloomy, but Big Steel's surprise dividend on the preferred stock brings a little cheer.

THE boom in wheat this week diverted attention from the dull and wobbly securities markets, and perhaps it's just as well. About the best that could be said for stocks, except for the mid-week sputter, was that they didn't crack on the French crisis, the persistent war scares, and a little further slackening in business. And the less said about bonds the better.

Turning to the most pleasant matters first, the roar of the bulls on Chicago's Board of Trade, in Liverpool, and in Winnipeg was sweet music to the whole Middle West. The mere fact that profit-taking tended to snag the advance in the latter part of the week couldn't wipe off the smiles—smiles which have been broadening for several days and which spread from ear to ear as Liverpool on Tuesday marked up the widest gain in 15 years.

Money to Spend

If these wheat prices are maintained, wheat farmers of the Middle West will be rolling in money this fall—many of them for the first time in years. That, to business, is the most significant thing about the wheat boom.

However, wheat's strength has tended to lift other commodity prices moderately. The further this thing goes, the more money raw products producers in all lines will have to spend in the late months of 1937. That means purchasing power, many times the purchasing power lost in strikes. Rising

commodity prices always tend to spur business; the drop in commodity prices since the March peak now has run a long way and some comeback is in order.

Of course, this rise in wheat isn't an unmitigated blessing. It's a weather market, and prices rise because somebody's crop hasn't turned out well.

Steel Does It Again

Another surprise for United States Steel Corp.'s preferred stockholders! Monthly dividends on the arrears are getting to be quite the thing, but it can't last much longer; when the board met this week and voted a \$2 payment, accruals were reduced to \$1.25 a share.

At the April meeting, Big Steel's directorate voted a regular quarterly of \$1.75, and \$2.25 on accruals. A surprise declaration of \$2 a share on the preferred came at the May meeting. And now another \$2. \$3 at the July meeting (\$1.75 regular and \$1.25 on arrears) would wash up the depression-accumulated dividends on the senior issue. That would mean \$11 a share for preferred stockholders in a space of four months, against estimated earnings for the first half of 1937 of between \$16 and \$17 a share.

The drought news from Canada's prairie provinces, for example, has been a big factor, with some estimates of

their production running under 200,000,000 bu.

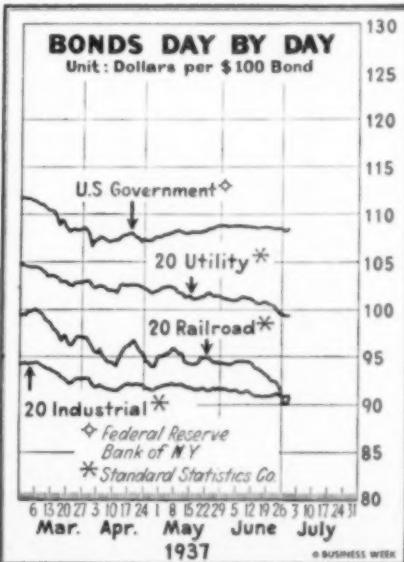
If rain saves part of Canada's crop, and if rust scares in this country prove to be exaggerated, there may be a different story to tell on grain prices later this year. So far, however, the bulls have been having things all their own way. This despite the fact that winter wheat crops are being moved to elevators earlier than usual and in much larger volume this year, and that hedging pressure is substantial as a result.

The sad plight of securities markets is the same story that has been told for weeks. Traders, in their typical fashion, believe they see a slump in business. They wonder why those people who don't work around the corner of Broad and Wall aren't weeping, too. Yet department store sales in New York City, right under their noses, scored a 9% gain in the first half of June.

Traders See Dark Side

Wall Streeters don't seem to admit that the steel industry, at 75%, is operating at a very high rate for mid-summer, strikes or no strikes; and that the ingot output will be higher next week due to the back-to-work movement. However, they did celebrate U.S. Steel's surprise dividend on the preferred stock.

Traders are most responsive to news like the fall-off in railroad net operating income. There was a big bull market in rails earlier this year on the prospect for further 1937 improvement. May and June didn't come up to expectations, due in part to small crop movement because of exhausted supplies. So the rails, both bonds and stocks, have been targets for selling. The liquidation in leading automobile stocks also reflects the Street's belief that earnings for the first half of 1937



will be disappointing—partly because of strikes, but also because of rising material costs.

Commercial loans of reporting Federal Reserve members in 101 cities fell off in the week ended June 23, but it was the first decline since mid-April and the first dip of any proportions since the end of January. Borrowings have been going up against the seasonal trend for some weeks now and a reduction of \$16,000,000 in the third week of June—during a steel strike—is hardly startling.

Like Counter Rules

SEC's proposed regulations for unlisted business are generally approved by dealers.

OVER-THE-COUNTER dealers this week pored over the Securities and Exchange Commission's proposed rules for the unlisted business and found them, on the whole, far from distressing. In fact, it was agreed that there were few mandates which are not already in force in any well-regulated local association, and little to which anyone is expected to take exception.

The draft, so far, still is unofficial. It has been worked out by the SEC in close cooperation with the Investment Bankers Conference, Inc. This latter group two months ago got out a list of fair-practice rules for voluntary acceptance (*BIW*—Apr '37, p28) which lays the groundwork. Certain sections were left blank for the SEC to fill in, and now that's been done, although the commission still will listen to suggestions before the rules become law.

The new rules boil down pretty much to the following do's and don'ts for the over-the-counter business:

There must be no untrue statement of a material fact nor any failure to state essential facts.

The fact that the broker or dealer is registered with the SEC must not be used to indicate that the commission has approved his financial standing, business, conduct, or the merits of any security he offers. (All unlisted houses are required to register.)

A firm must reveal to customers whether it acts as broker or dealer and what profit (as a dealer) or commission (as a broker) it makes on any deal. Also, whether it acts as a dealer for its own account, as a broker for some other person, or as broker for both parties to the transaction.

A firm must reveal to the customer, in advance of a transaction, whether it controls or is controlled by the issuer of any security (if such control exists).

A firm, if participating in the primary or secondary distribution of a security, must so advise the customer.

No transaction of excessive size may

be arranged for any discretionary account supervised by the broker or dealer.

No security may be quoted "at the market" unless the broker or dealer knows that there is some market price quoted by someone besides himself or others for whom he is acting.

The over-the-counter crowd has had the complete text of the regulations for only a few days. Specific suggestions and criticisms are not yet forthcoming.

Dealers incline to the opinion that the rules are entirely sane if sanely administered. There is a disposition, too, to agree that the present attitude of the present commission is entirely amicable. The difficulties involved in getting together rules which will suit all of the thousands of dealers in all parts of the country are admitted, and the SEC, by and large, is getting a good deal of credit for the job done.

1937 Fiscal—June 30 is tally day for the Federal government. Theoretically, the books close on Treasury operations and a new year begins. Actually, for months afterwards there are entries and changes as reports come in and minor adjustments are made. To Sec. Morgenthau, arrival of 1938 fiscal year must be a relief. 1937 has been a headache.

Three times the Treasury's experts have estimated income and outgo and three times they have been wrong. First there was the original budget, with an estimated net deficit of \$2,250,000,000. That was in January, 1936. Then, in September of that year, after the Revenue Act of 1936 brought visions of a huge increase in receipts, the Treasury

cut the estimated deficit down \$1,517,000,000.

But when "tax day"—last Mar. 15—rolled around, it became apparent that the Treasury had hitched its estimates a star. Revenues were not as expected. There was a second revision. The deficit was refashioned to \$2,550,000,000. And now it looks as if the final figure will show a net excess of expenditure over receipts of \$2,600,000,000.

One conclusion would seem to be that last year's budget was one of the most, if not the most, revised budgets this government has ever had.

Climbing Debt—A balanced budget told Mr. Roosevelt what recovery was to Mr. Hoover: "just around the corner." Each year the promise of a declining deficit has broken on a wave of expenditure for recovery and relief. Belt-tightening has come hard to the Administration.

The debt has mounted to more than \$36,000,000,000. The Social Security taxes are expected to cut down substantially the need for raising new money in the next few years, but that will not be any means eliminate the deficit. Social Security funds go into the general accounts of the government; the Treasury then turns around and segregates bonds for the Social Security Board.

Which means that the general taxpayer will help retire outstanding debt, but that will not extinguish the national debt. The government will owe the money to another group. Instead of banks, insurance companies, and general investors, the participants in social security will be the creditors. The only honest-to-goodness way that the debt can be cut is to stick to a budget that shows an excess of receipts over expenditures.

And the best that can be expected—and the President has been cautious in his promises this time—is that expenditures may be cut to fit receipts in the 1938 fiscal year—that is, the 12 months which began Thursday.

Eternal Conflict—Nearly every board of directors has its generous faction and its tight faction. The one, in a grand display of vicarious liberality, is anxious to pay out as much cash as possible to stockholders. And the other is just as adamant in contending that the company should hold on to this cash for a rainy day.

Generally, the conservatives have won the day, possibly because American corporations have made it a point to have a banker or two on the board; and bankers, because they are lenders of money and want to be paid back, like to see a lot of cash in the till. Besides, when there is a lot of cash, it swells their deposits.

Of course, a duality of interest exists. Bankers might want corporations to pay



International

RULES FOR DEALERS—David Saperstein, head of the SEC's trading and exchange division, was one of the big guns in drafting the new rules for over-the-counter dealers. He, with Sherlock Davis, over-the-counter section director, conferred for months with interested parties before the rules were put up to dealers for criticism and suggestions.

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JULY 3, 1937



Harris & Ewing

RECALLED — On Jan. 1, Jackson E. Reynolds retired as president of the First National Bank of New York. He wanted a rest. Leon Fraser (*BW* — Dec 12 '37, p51) succeeded him. But Mr. Reynolds is back in harness. Directors this week prevailed on him to take the chairmanship of the bank to succeed George F. Baker, who died suddenly from peritonitis while on a yachting cruise.

out large dividends so that they could make loans, but it is rare for a banker to take so purely a self-interested view. Usually, his greatest satisfaction is to sit on a board which is just oozing with the necessary stuff. But the Federal government's undistributed earnings tax has changed the attitude of a good many boards of directors. The stout defenders of the "rainy day" fund are not as keen as they used to be about holding onto cash. They'd rather see the stockholders get it than the government. Which in large part accounts for the rise in dividends paid during 1936 to nearly 80% of net income (*BW* — Apr 17 '37, p56) and the spur to new financing for working capital. They paid the money out.

Beating the Surtax — Corporations have made no bones about paying dividends in order to escape the tax on retained earnings. Indeed, the Greyhound Corp. has gone to the Interstate Commerce Commission twice in order to obtain permission to sell new securities. Object: to reimburse the company for dividends paid.

In a recent petition, the company sought the right to issue \$1,200,000 five-year equipment mortgage notes to finance the purchase of 100 buses. A subsidiary company, which was party to the plan, said:

"These outlays normally have been financed out of net earnings. In order, however, to avoid the penalties of the corporation surtax on undistributed

profits, the applicant was obliged to pay out most of its net earnings in dividends."

Greyhound subsidiaries paid large dividends to the parent company, and Greyhound Corp. then turned around and paid large dividends to its shareholders. And now Greyhound subsidiaries, to get funds, are selling capital stock to the parent company. Which means that Greyhound, as the principal stockholder, has received large dividends and is reinvesting those dividends in its subsidiaries.

In effect, it is as if the subsidiary company had declared a stock dividend instead of cash dividends. But stock dividends, when paid by a wholly owned company to its parent, probably would not be construed as a "true" dividend by the Internal Revenue Bureau. Hence the pay-it-out-and-pay-it-back procedure.

Speed-Up — Public utilities which feel that their very life is threatened by the Tennessee Valley Authority program have been frankly critical of the delays which have been keeping them from reaching the Supreme Court with their test of TVA constitutionality. Federal District Judge John J. Gore this week gave them the break when he threw out TVA counsel's request that complaints be made more specific.

Judge Gore gave some signs of being displeased with the delays. In denying the TVA plea for more particulars, he said: "I hope there is nothing further to prevent this case from coming to trial on a fair and square basis."

Before throwing out this TVA plea, he had overruled the Authority's motion to strike from the utilities' complaint several sections challenging constitutionality of the program. The way is, apparently, clear for the case to be tried on its merits before Judge Gore in the near future. There is, however, a long, long trail between his decision and the last word. Appeals will be taken by either party to the Circuit Court of Appeals and ultimately to the Supreme Court. The case already has been clear up to the Supreme Court on appeals from rulings on minor points and has been hanging fire for a year so far.

Customers' Men — It's better to have a job at reduced pay than to have no job at all. That's the logic which prompted the New York Stock Exchange this week to suspend temporarily the rule which prohibits member firms cutting the pay of customers' men below certain fixed minima.

Deals on the Stock Exchange recently have been so small that clerks have been getting vacations without pay or, in many cases, have been laid off; the same thing has been staring the customers' men in the face. They have had nothing to do but sit and watch the tape go by, and the tape hasn't gone fast

UNTIE FUNDS TIED UP IN INVENTORIES



You may be enabled to quickly release for further use a large part of the money you have invested in raw or finished goods, by means of LAWRENCE SYSTEM.

As a result, you will not only obtain added funds at very low cost, but you will profitably increase turnover of your regular capital.

In operation, LAWRENCE SYSTEM is extremely flexible. It can be used in connection with almost all types of inventories without interrupting normal manufacturing or marketing routines. Moreover, its use does not conflict with established bank arrangements.

Even though you have no financial problems at the moment, it may pay you to learn just how LAWRENCE SYSTEM can serve your business. Consult the nearest office or write Dept. D-23, LAWRENCE SYSTEM, 52 Wall Street, New York.



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A. T. GIBSON, President

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CHICAGO: One N. LaSalle St. • **BOSTON:** 49 Federal St.
DALLAS: Santa Fe Bldg. • **HOUSTON:** 601 Shell Bldg.
KANSAS CITY, MISSOURI: Commerce Trust Building
LOS ANGELES, CALIFORNIA: Walter P. Story Building
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"BUSINESS WEEK SAYS"—

WHAT BUSINESS WEEK SAYS has served as an introduction to many a business conference—a basis for sales meetings—a guide to executive planning, decision and action.

Newspaper editors, whose job it is to know the relative value and importance of news, have made BUSINESS WEEK one of the most quoted magazines in America. During the first five months of 1937, BUSINESS WEEK was quoted more than 2,500 times—by the great metropolitan dailies of New York, Chicago, Philadelphia, Detroit—by the progressive papers of Danville, Va., Wausau, Wisc., New Bedford, Mass. . . .

Confidence in BUSINESS WEEK's authority, repeatedly expressed by men who know, lays a foundation essential to productive advertising.*

BUSINESS WEEK

330 West 42nd Street
New York, N. Y.

* BUSINESS WEEK ranks among the first ten magazines in America—Weekly, Monthly, Women's, Farm—in total advertising pages.

enough to be complicated even for a tyro in symbol reading.

When the customers' men system was purged some years ago, it was determined that these men would have to meet certain standards to get such jobs. In addition, the exchange wanted to remove the incentive for customers' men to keep switching their clients in and out of securities simply for the purpose of earning fat commissions for the house. The plan adopted was to put them on a salary basis, to eliminate (in the lower brackets) pay as a direct percentage of commissions earned. These salary minima are graduated in accordance with the size of the city in which the member firm or branch operates.

With business so dull, however, maintenance of minimum pay levels meant that men would be thrown out of work. The Stock Exchange committee on customers' men adopted the lesser of the evils. The rule will go back into force when the Exchange feels that business has come back sufficiently.

Big Year for Armour—Profits of the meat packing companies at the moment are shaping up exceptionally well. Probably one of the best percentage gains in net will be turned in by Armour & Co. for the fiscal year closing with the end of next October—not that Armour has done a totally outstanding job, but the company had such a lot of room for improvement.

R. H. Cabell, Armour's president, in Boston this week estimated that net profits in the last half of the fiscal year would about equal the approximate \$7,000,000 for the first half. In Chicago financial circles, the predictions are somewhat more optimistic, say \$15,000,000 or a little more for the year. However it comes out, it will top last year's \$10,239,762.

Another factor in Armour's outlook, although it won't cut much ice in the present fiscal year, is the recently approved plan to sell up to \$75,000,000 of debentures or bonds to clean up the \$54,162,800 of Armour of Delaware 7% preferred and \$20,000,000 of parent company bank loans. Market conditions being what they are, there is some doubt if this program will be completed in the immediate future.

This refunding would further simplify the capital structure and would be in keeping with the general financial rehabilitation of the last three years. Unprofitable affiliates such as Armour Fertilizer have been liquidated, the preferred arrearages have been cleaned up. Sales forces have been strengthened, branch offices that were eliminated a few years ago have been reopened in many cases, new life has been breathed into some erstwhile dormant lines such as pharmaceuticals, and everyone feels much better than at any time since the post-war depression.



OUT OF HARNESS—Associated with the public utility industry since the day when Thomas A. Edison was perfecting the incandescent lamp, Frank W. Smith this week retired as president of Brooklyn Edison Co. This followed his retirement as head of Consolidated Edison Co. of New York and marks the end of his active executive career, though he remains an Edison trustee. He started as an office boy with the U. S. Illuminating Co. 53 years ago.

Packers' Progress—Main factor in the meat packers' current gain in earnings is price. Heavy pork inventories were built up during the fall and winter when large hog runs were coming to market. These inventories now are being moved at substantial markups due to the fact that hog runs have dwindled sharply.

Other products, for the most part, are not stored to the extent that pork is, but business in these lines is reported to be returning normal to better-than-average profits. For some time there has been a creeping advance in most meat prices, which is ideal for the packing houses. Profits in such a period aren't necessarily lavish, but they are continuous.

Rising meat prices, of course, always lead to a certain amount of consumer resistance, even in times of rising purchasing power. Most meat purchases are made daily. Hence the housewife is more readily conscious of small price increases than she might otherwise be. The present is no exception and it is entirely possible that tonnage volume of most of the packers in the current fiscal year—particularly in the last half—may be just a little below a year ago. Nevertheless, on a dollar volume basis, it is generally felt that fairly appreciable gains will be scored.

Now is the time for graduates to make market value known.
Postmaster in his bond provide him with . . .
Maybe that's down the jetties of Hearst paper.

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Editorially Speaking—

Now is the time when all alert college graduates can go out and discover the market value of the connections they've made.

Postmaster-General Farley may have felt in his bones that the steel strike would provide him with plenty of excitement. Maybe that was why he recently turned down the job of general manager of the Hearst papers at \$200,000 a year.

Of all the world's illicit white narcotics, 90% are of Japanese origin, according to Gen. T. W. Russell, director of the Egyptian Central Narcotics Intelligence Bureau. He also says there are 200 factories in the Japanese concession at Tientsin, China, that ship 900 pounds of heroin a week to the United States, out of a total production of half a ton.

Half a ton, half a ton,
Half a ton onward,
All from the Delta of Dope
Speed the ten hundred.
Forward the Junk Brigade!
Ten hundred pounds purveyed!
All from the Delta of Dope
Speed the ten hundred.

Two English doctors are said to have discovered a fermented liquid that enables a prospective mother to decide the sex of her child. 'Tis a distillation devoutly to be wished.

SIGNS in the elevators of the American Stores Co. Building, Philadelphia: "Passengers must not stand partly in or out of elevator." No straddling.

YOUTH, 19, with burning, uncontrollable desire to enter advertising.—Blind ad.

There are two schools of medical thought in a case like this. The older practitioners believe that the patient's mind should be diverted from his obsession by ocean cruises, crap games, or any other soothing recreation. The newer school, however, prefers the treatment originated by those eminent specialists, Dr. Gorge and Dr. Glut. The Gorge-Glut method is to put the unfortunate young man in a padded cell and make him copy out every word of the Standard Rate and Data Service, the Standard Advertising Register (both the Agency List and the National Advertisers), and McKitterick's Directory. Only 3% of the patients have died under this treatment. The other 97% crawl out alive, with a burning, uncontrollable desire to kill anybody who mentions advertising.

COL. T. BENTLEY MOTT, in his book, "Twenty Years as Military Attaché," decries the Prussian rigidity of West Point life, the isolation from the outside world, the drastic discipline, antiquated teaching methods, and intellec-

tual sterility. He says he didn't enjoy his cadet days at West Point and he has never met a man who did. That explains a lot to many men who have soldiered under West Pointers.

How much longer will big, brutal Czechoslovakia keep on picking on poor little Hitler?

MEN of prominence, or their secretaries, are accustomed to receiving occasional check-up letters from newspapers, magazines, books of reference, and so on, asking such questions as: "Were you born? Are you twins? When? How often were you elected sheriff? What is your middle name?"

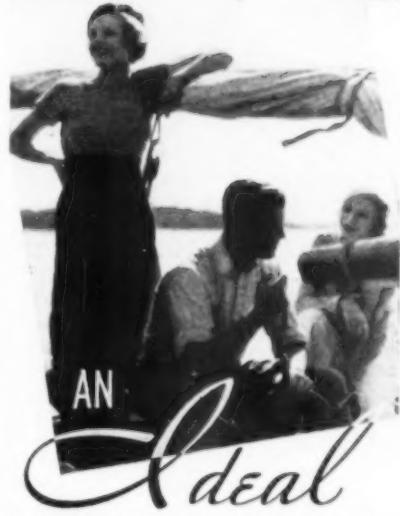
Owen D. Young received such a questionnaire recently, and someone on his staff duly filled it out, with the result that renewed publicity was given to the fact that Mr. Young has no middle name. Middle initial D.; middle name nothing.

So we send to our office library and get Ida M. Tarbell's authorized biography of Mr. Young, published in 1932. The explanation occurs on page 9: "One of the pleasant customs of the times was to let a friend name the baby. The friend to whom Mrs. Young paid the compliment, having read a book in which the hero was called Owen, named the newcomer Owen; thinking there should be at least a middle initial she put in a D—no name, simply D now as then!"

MR. YOUNG isn't unique in that respect; there are plenty of people with middle initials but no middle names. The reasons vary. There was a young man named George E. Johnson. He had a middle initial, all right; but how much good did it do him? There were too many George E. Johnsons everywhere, including the phone book. He was perpetually being confused with the rest of them. And people had a hard time reaching him at the first try, unless they knew his address. So he added another initial, and chose the most distinctive of all—Q. As George E. Q. Johnson, he became United States district attorney in Chicago and later a federal judge.

AND we know a man who started an advertising copy-and-art service when he was very young—only 18, as we remember. He made it pay, too. Looking older than his age, and wishing to give a mature impression, he decided that a middle initial would contribute to a graybeard effect. That's an opinion many boys have, or at least they used to. Anyway, he added a middle initial—N. The N stands for Nothing.

VACATION in VIRGINIA



AN Ideal SUMMER PLAYGROUND

"SO you're going to Virginia?"

A visit to this charming, hospitable playground by the sea means fun, excitement, rest, relaxation, golf, tennis, dancing, sailing, fishing, surf-bathing, good health and rested nerves. It means thrilling days, sea-spiced air, broad shining sands, white-capped waves, and health-giving water that will lift your spirits and wash cares away.

Life at the Virginia Seashore is just what you yourself want it to be. A vacation here combines most of the pleasures you have ever known and new ones you never dreamed of.

Luxurious hotels, comfortable inns, cottages by the sea—you will be surprised that so pleasant a vacation can be enjoyed at such a moderate cost.

Let us help you plan your vacation. We will be glad to suggest the best service from your city, to make reservations for you, or to send you information on rates and routes. The railway's Passenger Traffic Department representatives will help plan your trip from start to finish.

NORFOLK AND WESTERN Railway
PRECISION TRANSPORTATION

JULY 3, 1937

End This Exemption

The Administration's campaign against tax-evaders has again raised the question of tax-exempt securities. As everybody knows, these securities are the preferred investment of many taxpayers in the upper brackets, and the federal government loses more by such tax exemption than it gains by floating its securities at the low interest rate.

The courts have ruled that it is unconstitutional for the federal government to tax the income from state or municipal securities, or to tax state or municipal salaries. Similarly, federal salaries and the income from federal securities are exempt from state income taxes.

All this is because of Constitutional inhibitions. But the Constitution does not restrict the federal government in taxing newly issued federal securities. It can tax them at the full rate, just as it does the salaries of federal officers and employees. However, it has not done so, but instead has granted a limited exemption. At present something like half the federal securities are exempt from federal surtax.

Naturally, the government wants to borrow as cheaply as it can, not only because of the saving in money but also because a low coupon-rate indicates that a government security is sounder than any other kind. From the pecuniary standpoint alone, the government gains nothing if it pays a lower interest rate but takes a loss in taxes, instead of paying a higher interest rate and collecting the full tax on all federal securities.

The Treasury Department, however, thinks that repeal of all federal exemptions would produce a one-sided result. As Undersecretary of the Treasury Magill recently said, the department opposes "the enactment of legislation which would eliminate the tax-exempt feature of future issues of federal obligations, while state and local issues would continue to enjoy their Constitutional immunity from federal taxation."

The thing to do, then, is to repeal this Constitutional immunity. For many years, under several Administrations, the Treasury Department has recommended a Constitutional amendment permitting the states to tax all future issues of federal securities, and permitting the federal government to tax all state and municipal securities issued in the future. But the Treasury's

recommendation has been little more than a polite expression of opinion. It has seldom had strong political backing. President Roosevelt, for example, has not fought for it. He has not urged it upon Congress, as he has urged a strenuous drive against tax evaders.

He ought to be able to put such an amendment through Congress. He would have a harder time getting it ratified by the states, for many of them would be reluctant to surrender the tax-exempt privilege, which enables them to borrow cheaply. But cheap borrowing makes for big state debts, and probably the taxpayers could be aroused to demand ratification of the amendment.

Guarding Against Too Many Banks

As business gets better, there is a tendency to organize new banks. The other day Tom K. Smith, president of the American Bankers Association, urged all bankers' associations to cooperate with state and public officials in their "efforts to avoid a return of overbanking in this country." These efforts need plenty of cooperation, because people who want bank charters can frequently drum up considerable influence, and public officials will yield unless there is also strong influence in opposition.

It is true that some communities are underbanked, as a consequence of bank collapses in 1933 and earlier years. But, making due allowance for these cases, it is evident that the greater danger is a superfluity rather than a dearth of bank charters.

This generation has witnessed an absurd multiplication of banks, especially in the decade before 1920. One rural state, sparsely settled, had a bank for every 760 people. All through the twenties it was nearly as easy in most states to organize a bank as to get

married. Banks were owned and operated by people who had never been in the banking business. Some of them lacked not only knowledge but honesty. They duplicated bank services and eventually despoiled their depositors.

No bank charter should be issued except by a nonpartisan board after a public hearing in which it is shown that the community needs additional banking facilities and that the bank will be adequately capitalized and competently managed.

A Fresh Scheme For Inflation

Sen. Thomas of Oklahoma and Rep. Dies of Texas have introduced new inflation bills. These authorize the Treasury Department to issue currency against its gilded gold, which has come from abroad and already amounts to more than a billion dollars. As more gold came into the country, the Treasury would issue more paper money.

That is what we were doing before gilding started, and that is what caused the more than three billion dollars of excess banking reserves a year ago. Now the banking system gets currency for the gold when it comes in, but gives the currency back when it buys bills which the Treasury sells to pay for the gold imports. In this way the incoming gold is gilded, and our economy guarded against inflation. Moreover, this process insulates us against sudden withdrawal of capital by foreigners.

The Thomas and Dies bills would junk this program. They would increase member bank reserves by the full amount of the more than one billion dollars now in the gilded fund. Thus they would nullify the effects of the Federal Reserve Board's increase in member bank reserve requirements. The Federal Reserve would lose what little control it now has over bank credit, and prices would rise. That is what the sponsors of these bills want. They are inflationists, who have pushed all sorts of inflation measures. Since the Administration reduced the excess reserves and started gilding gold, prices haven't gone up fast enough to suit the inflationists in Congress, so they have sprung forward with a fresh plan to boost prices.

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